



Financial Presentation

2Q/1H 2020 IFRS Results

August 17, 2020



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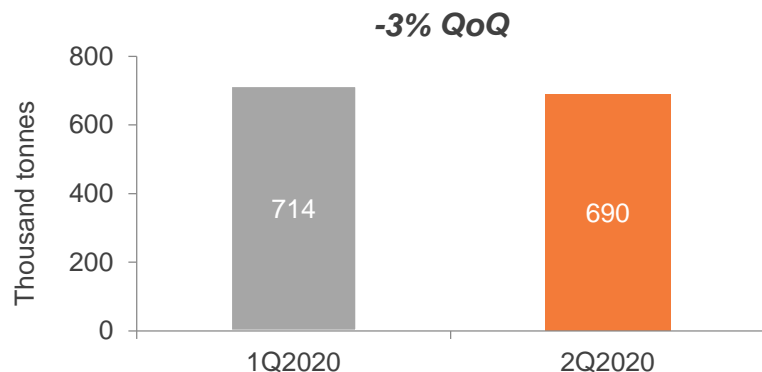


2Q 2020 Summary Financial Results and Market Update

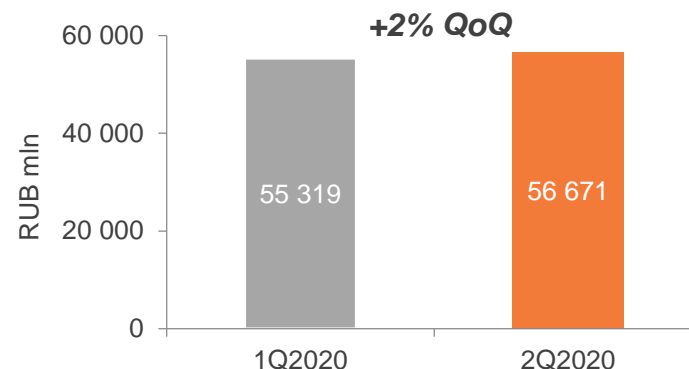


2Q 2020 vs. 1Q 2020 Summary Financial Highlights

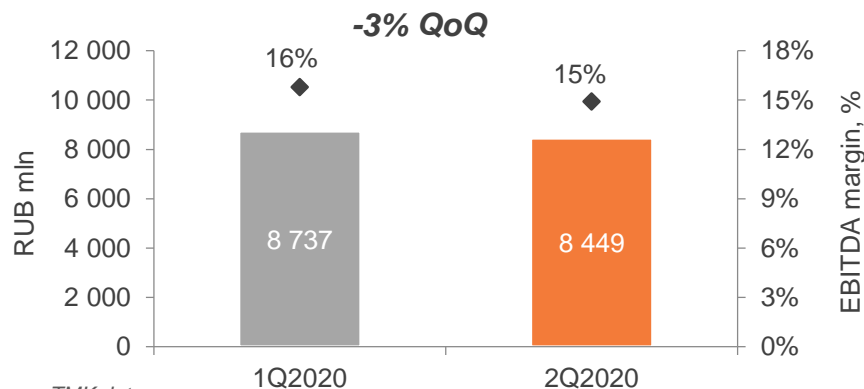
Sales declined QoQ, due to lower sales at the Russian division



Revenue increased QoQ, supported by a stronger performance at the European division and stable results at the Russian division

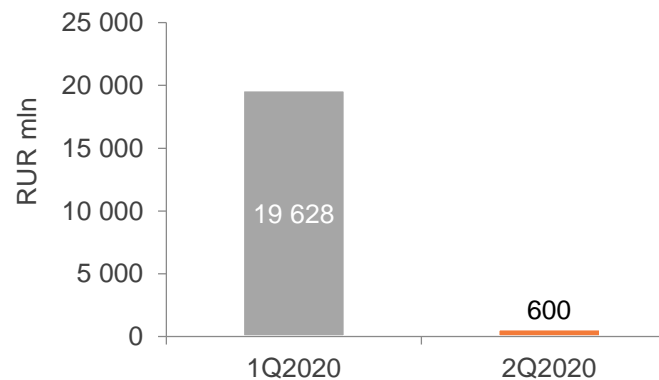


Adjusted EBITDA was down QoQ, due to a weaker performance at the Russian division



Source: TMK data

Net profit decreased QoQ, mainly due to the gain on disposal of subsidiaries recorded in 1Q 2020

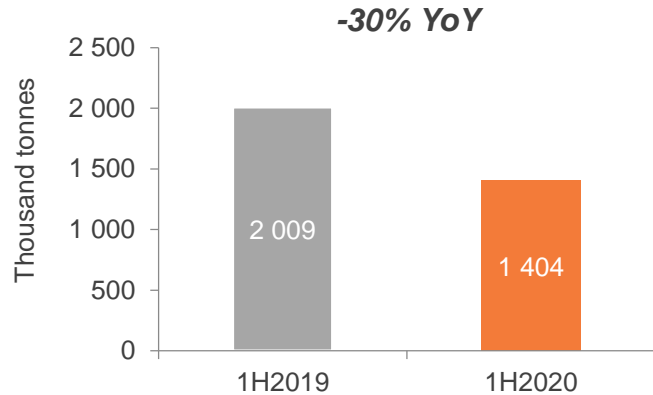


Note: Due to the fact that the Company did not issue the financial statements in Rubles for 9 months of 2019, the financial indicators in Rubles for 1Q 2020 are calculated as the difference between the reporting indicators in Rubles for 12 months of 2019 and reporting indicators in US dollars for 9 months of 2019, which were calculated at corresponding FX rates.

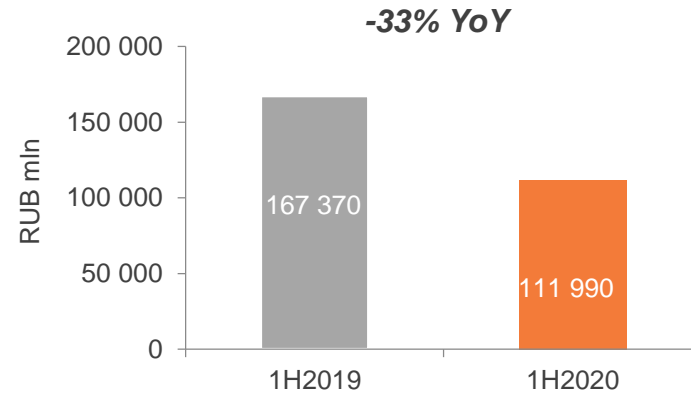


1H 2020 vs. 1H 2019 Summary Financial Highlights

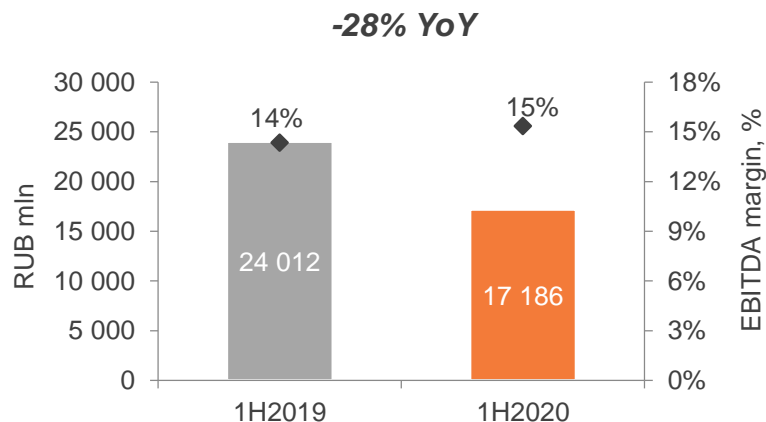
Sales declined YoY, due to the disposal of the American division and lower sales at the Russian and European divisions



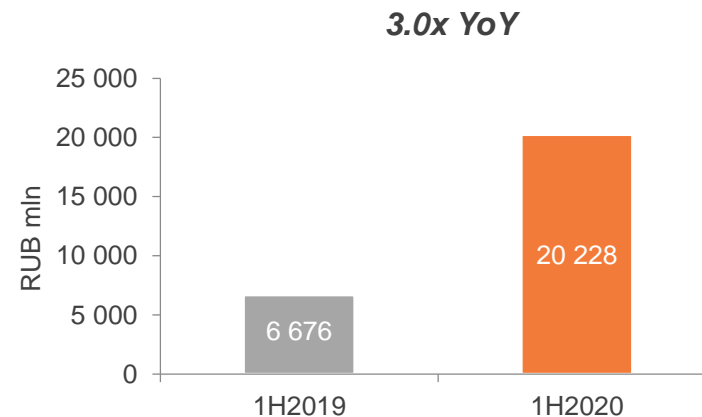
Revenue declined YoY, due to the disposal of the American division and a weaker performance at the Russian and European divisions



Adjusted EBITDA decreased YoY, mainly due to the disposal of the American division and lower EBITDA at the Russian and European divisions



Net profit increased YoY, mainly due to the gain on disposal of subsidiaries recorded in 1H 2020

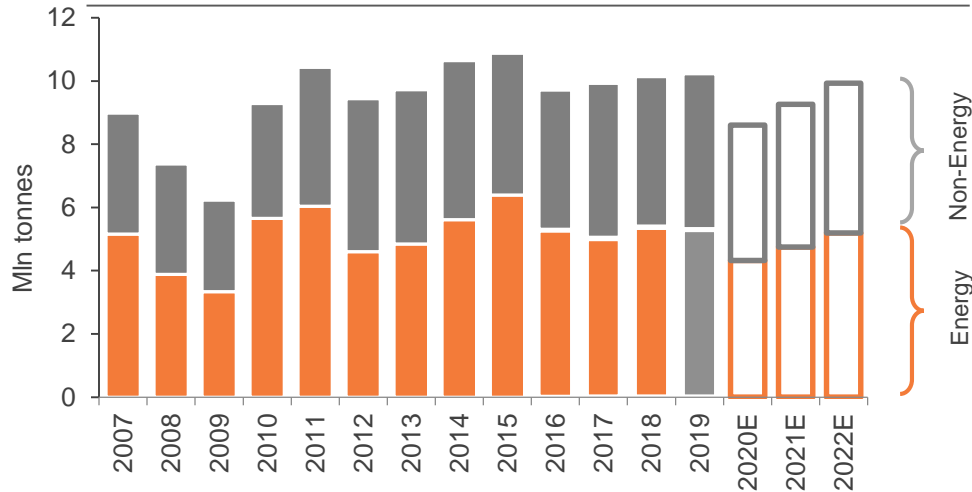


Source: TMK data



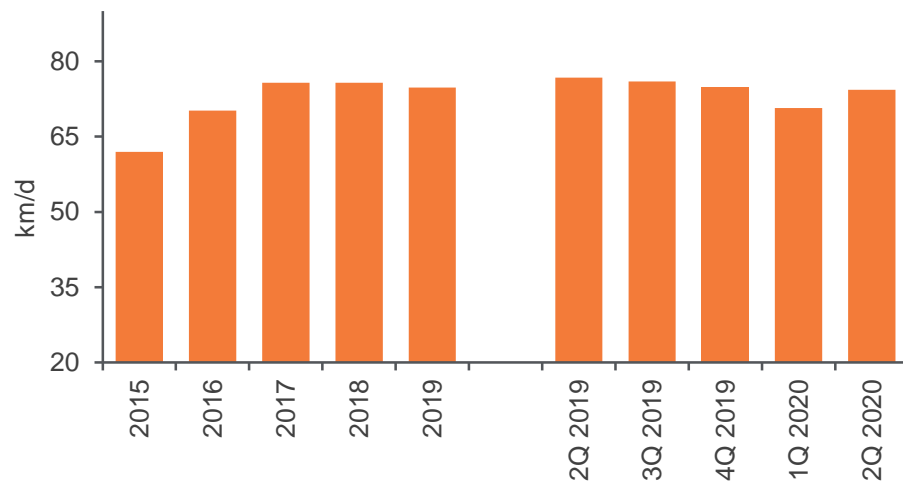
Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains robust



Source: CDU TEK

Key considerations

2Q 2020 vs. 1Q 2020

- In 2Q 2020, the Russian pipe market was almost flat compared to the previous quarter. Drilling volumes were higher quarter-on-quarter and the share of horizontal drilling remained stable at over 50% in 2Q 2020. These factors supported demand for OCTG.
- In 2Q 2020, European pipe producers continued to see a decline in demand from key pipe-consuming industries, due to a challenging macroeconomic environment, caused by the COVID-19 pandemic and a reduction in global oil consumption. This was accompanied by a build-up of pipe inventories by final customers and continued pressure on pipe prices.

1H 2020 vs. 1H 2019

- The Russian pipe market declined by 15% year-on-year, predominantly reflecting lower shipments of large diameter pipe. The total OCTG pipe market was stable, with drilling activity decelerating and the share of horizontal drilling being at the same level exceeding 50% in 1H 2020.
- In 1H 2020, the European pipe market experienced a steep decline in consumption from key pipe-consuming industries resulting from COVID-19 lockdowns and a drop in global oil demand.

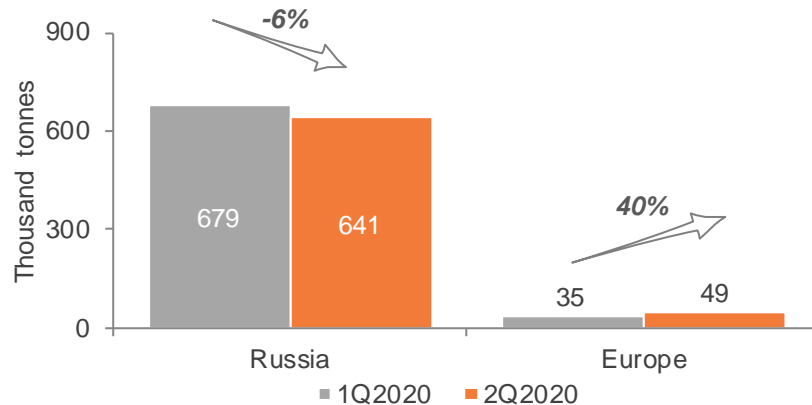


2Q 2020 vs. 1Q 2020 Results



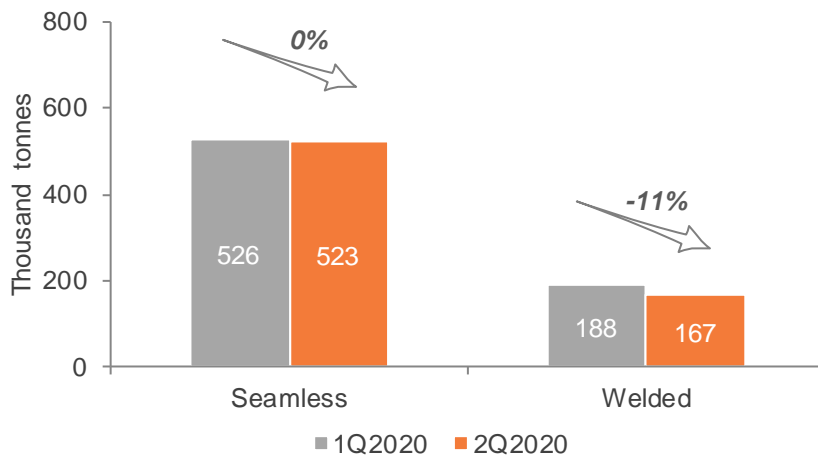
2Q 2020 vs. 1Q 2020 Sales by Division and Product Group

Sales by division



- The Russian division sales decreased QoQ, mainly due to lower sales of seamless line pipe and welded industrial pipe
- The European division sales increased QoQ, due to higher sales of seamless industrial pipe

Sales by product group



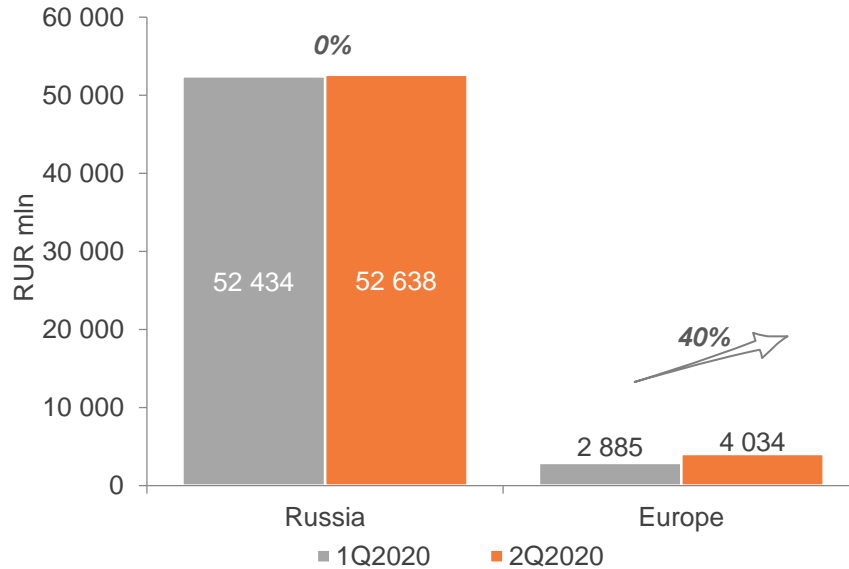
- Seamless pipe sales remained almost flat QoQ, supported by stable sales of seamless OCTG pipe at the Russian division and higher sales of seamless industrial pipe at the European division
- Welded pipe sales declined QoQ, due to lower sales of line and industrial pipe at the Russian division

Source: TMK data



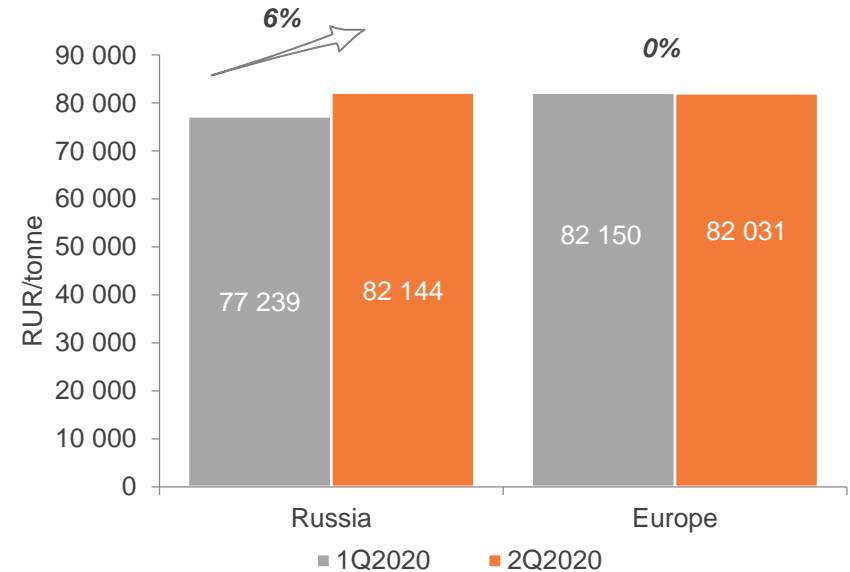
2Q 2020 vs. 1Q 2020 Revenue by Division

Revenue



- Russian division revenue remained flat QoQ, supported by an improved sales mix towards a higher share of OCTG pipe
- European division revenue increased QoQ, due to higher sales, reflecting the beginning of a potential recovery in industrial pipe demand. The result was also supported by a positive foreign currency translation effect

Revenue per tonne*



* Revenue /tonne for the Russian division is calculated as total revenue divided by pipe sales. Revenue for the European division is calculated as total revenue divided by pipe+billets sales

- Russian division revenue per tonne increased QoQ, due to a more favourable product mix
- European division revenue per tonne remained flat QoQ

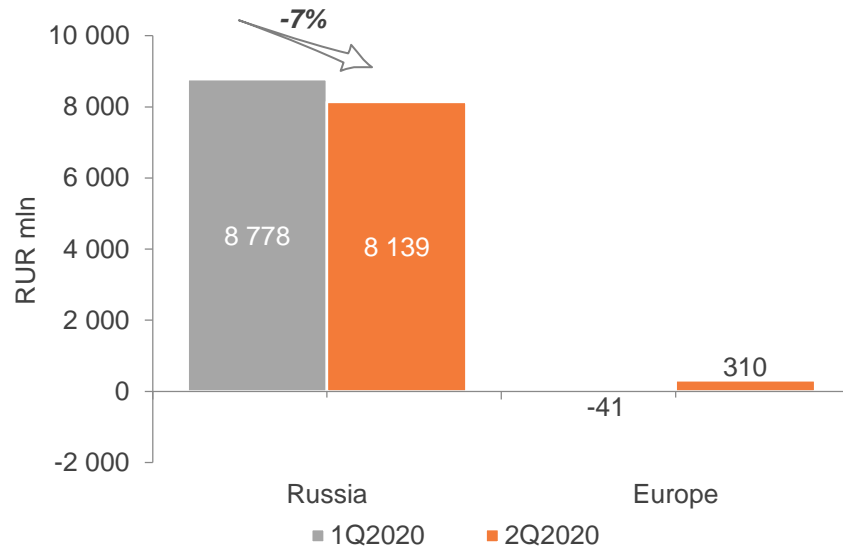
Source: Consolidated IFRS financial statements, TMK data

Note: Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.



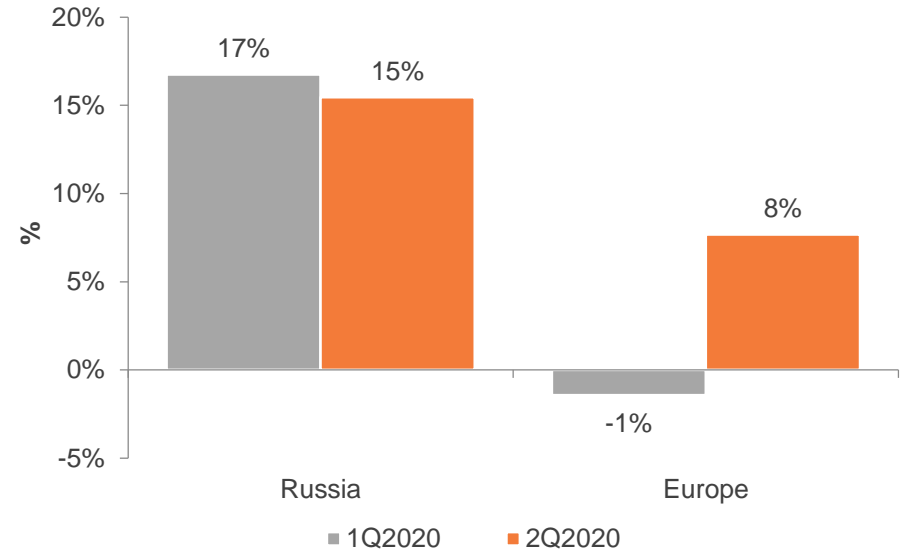
2Q 2019 vs. 1Q 2020 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA decreased QoQ, reflecting a decline in gross profit, negatively impacted by higher prices of certain raw materials, due to appreciation of foreign currencies
- European division Adjusted EBITDA recovered in 2Q 2020, supported by higher sales

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin decreased by 2 p.p. QoQ
- European division Adjusted EBITDA margin recovered to a positive number in 2Q 2020

Source: Consolidated IFRS financial statements, TMK data

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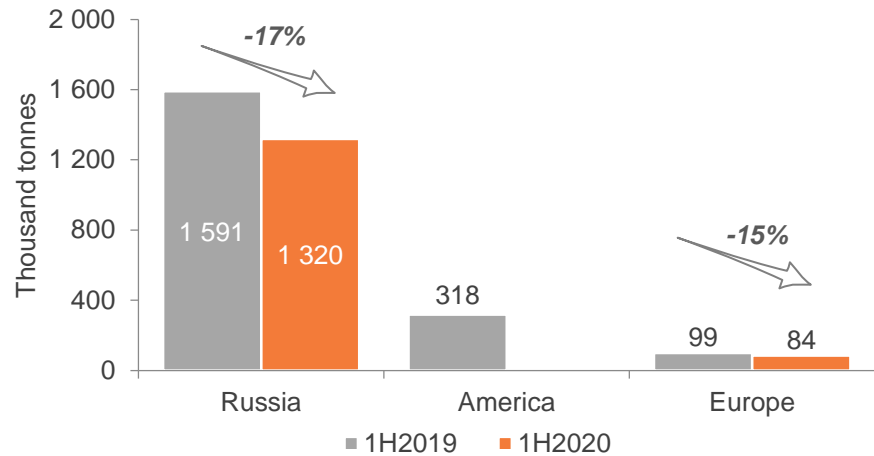


1H 2020 vs. 1H 2019 Results



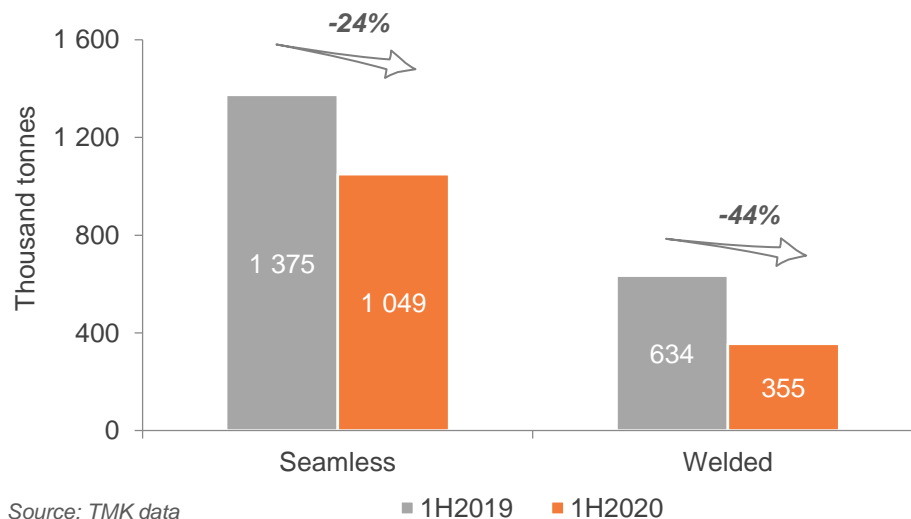
1H 2020 vs. 1H 2019 Sales by Division and Product Group

Sales by division



- Russian division sales decreased YoY, mainly due to the lower sales of OCTG and large diameter pipe
- European division sales decreased YoY, due to lower sales of industrial pipe, reflecting weaker market demand

Sales by product group



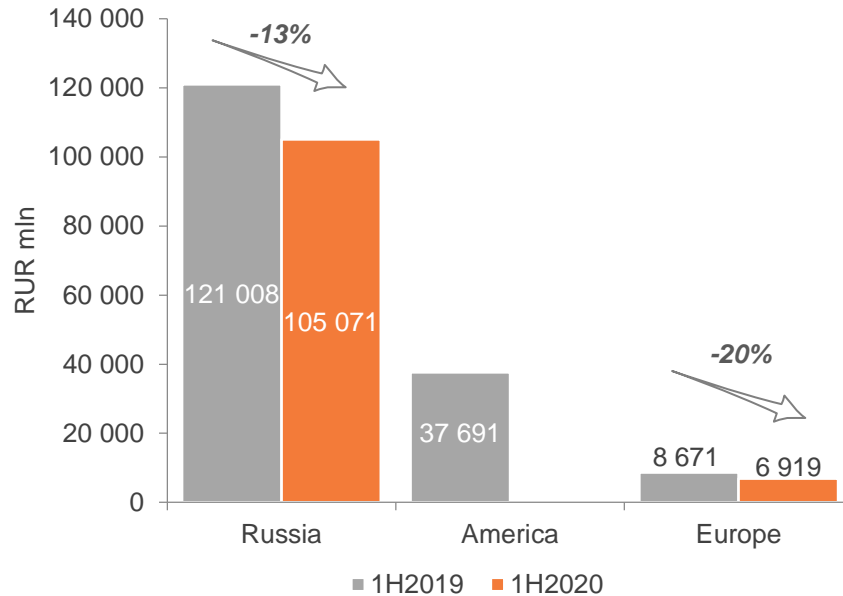
- Seamless pipe volumes decreased YoY, due to the disposal of the American division, lower sales of OCTG at the Russian division and weaker sales of industrial pipe at the European division
- Welded pipe sales decreased YoY, due to the disposal of the American division and lower sales of large diameter pipe at the Russian division

Source: TMK data



1H 2020 vs. 1H 2019 Revenue by Division

Revenue

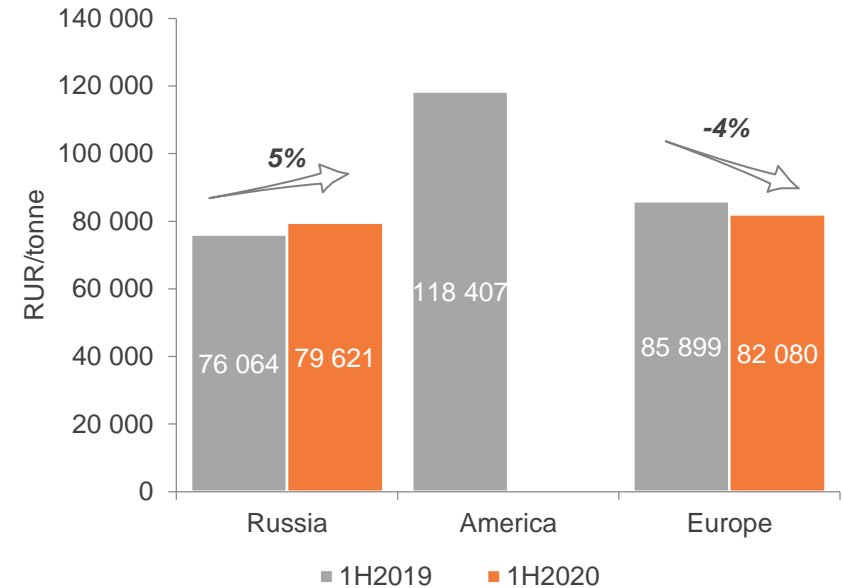


- Revenue at the Russian division decreased YoY. Lower revenues resulted from weaker sales of OCTG, reflecting a challenging global economic environment, which negatively impacted demand for our products, as well as lower sales of large diameter pipe
- Revenue at the European division declined YoY, due to lower demand from key pipe-consuming industries reflecting a drop in activity, pressure on prices, which was partially offset by a positive foreign currency translation effect

Source: Consolidated IFRS financial statements, TMK data

Note: Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.

Revenue per tonne*



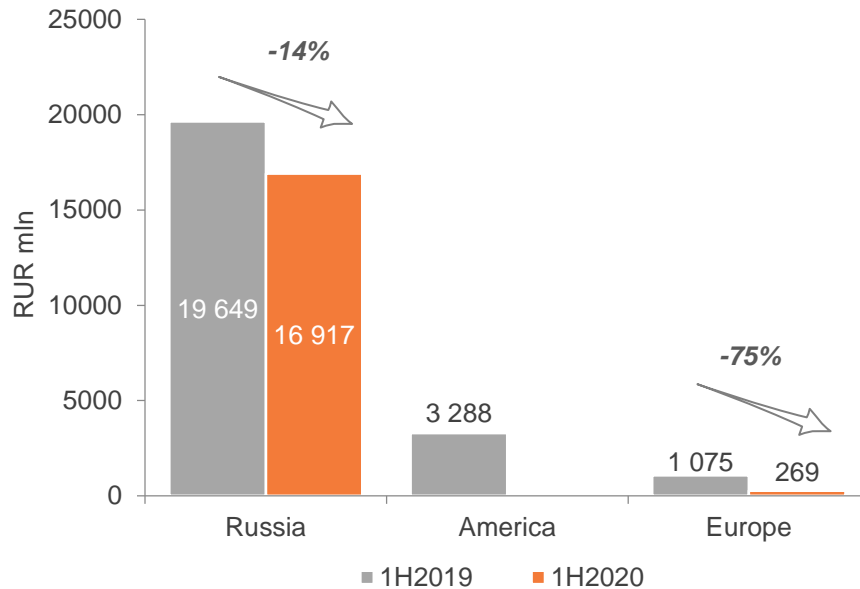
* Revenue /tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European division is calculated as total revenue divided by pipe+billets sales

- Russian division revenue per tonne increased YoY, due to a more favourable sales mix
- European division revenue per tonne declined YoY, due to an unfavourable pricing environment

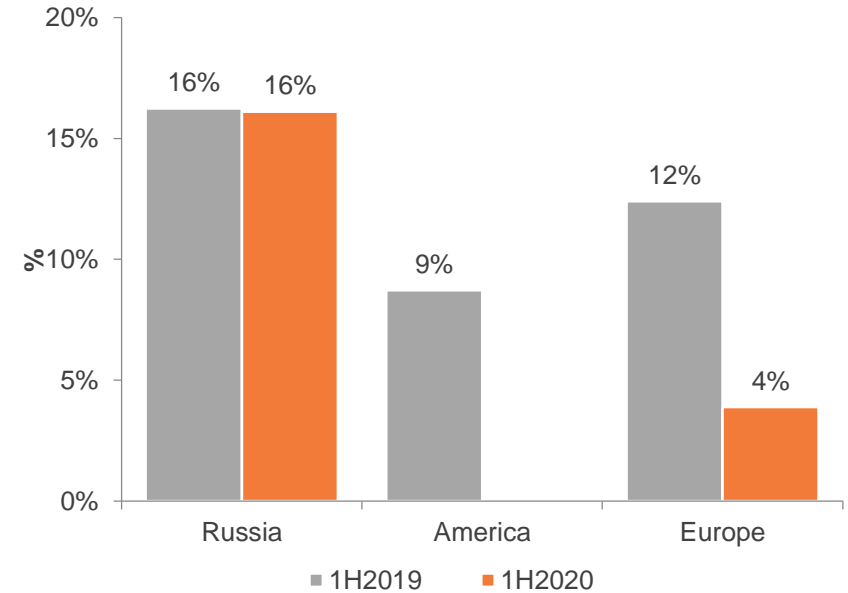


1H 2020 vs. 1H 2019 Adjusted EBITDA by Division

Adjusted EBITDA



Adjusted EBITDA margin



- Adjusted EBITDA in the Russian division decreased YoY, due to a lower gross profit and higher other operating expenses
- European division Adjusted EBITDA was down, due to the deterioration of demand and lower prices
- Russian division Adjusted EBITDA margin was almost flat YoY
- European division Adjusted EBITDA margin declined YoY, due to the deterioration of demand and lower prices

Source: Consolidated IFRS financial statements, TMK data

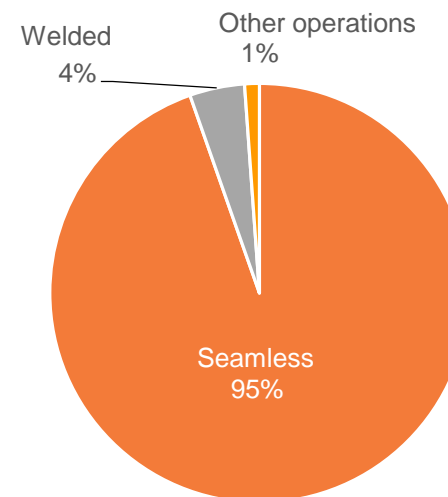
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Seamless – Core to Profitability

RUR mln (unless stated otherwise)		2Q2020	QoQ, %	1H2020	YoY, %
SEAMLESS	Sales - Pipes, kt	523	0%	1 049	-24%
	Revenue	44 277	5%	86 564	-27%
	Gross profit	11 306	-6%	23 348	-17%
	Margin, %	26%		27%	
	Avg revenue/tonne (US\$)	84 620	5%	82 515	-4%
	Avg gross profit/tonne (US\$)	21 608	-6%	22 256	9%
WELED	Sales - Pipes, kt	167	-11%	355	-44%
	Revenue	9 498	-3%	19 312	-55%
	Gross profit	357	-48%	1 047	-69%
	Margin, %	4%		5%	
	Avg revenue/tonne (US\$)	56 969	9%	54 420	-19%
	Avg gross profit/tonne (US\$)	2 138	-42%	2 950	-44%

1H 2020 gross profit breakdown



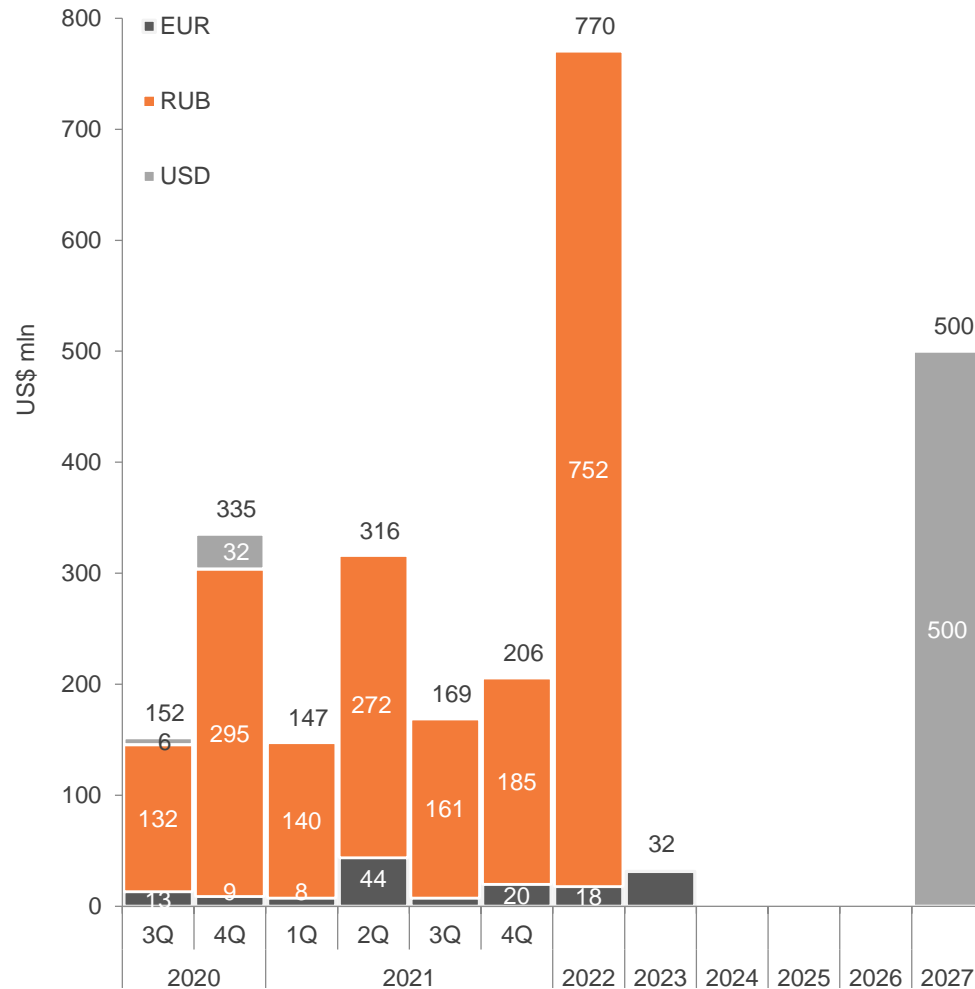
- Sales of seamless pipe generated 77% of total revenues in 1H 2020
- Gross profit from seamless pipe sales represented 95% of 1H 2020 total gross profit
- Gross profit margin from seamless pipe sales amounted to 27% in 1H 2020

Source: Consolidated IFRS financial statements, TMK data

Note: Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.

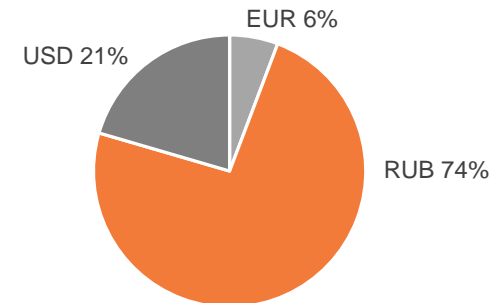


Debt Maturity Profile as at June 30, 2020



- Net debt amounted to RUB 103.1 billion (\$1.473 billion*) as at June 30, 2020
- The weighted average nominal interest rate reduced by 49 bps compared to the end of 2019 to 6.45% as at the end of 2Q 2020
- Credit Ratings:
 - ✓ S&P BB-, Negative
 - ✓ Moody's B1, Positive

Debt currency structure



Source: TMK management accounts (figures based on non-IFRS measures), TMK estimates

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* At the rate of the Central Bank of Russia as at June 30, 2020 (USD/RUB = 69.9513)



3Q 2020 outlook

- We expect pipe sales at the Russian division to remain under pressure in the third quarter, mainly due to continuing market challenges and pre-planned upgrade and maintenance works at the Russian division's key production facilities.
- In Europe, we expect the gradual recovery in industrial pipe consumption to continue, with pipe prices remaining under pressure.
- Should the market trends not deteriorate further, we expect EBITDA in 2H 2020 to remain generally at the same level as in 1H 2020.



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