

Financial Presentation

4Q / FY 2019 IFRS Results

March 06, 2020



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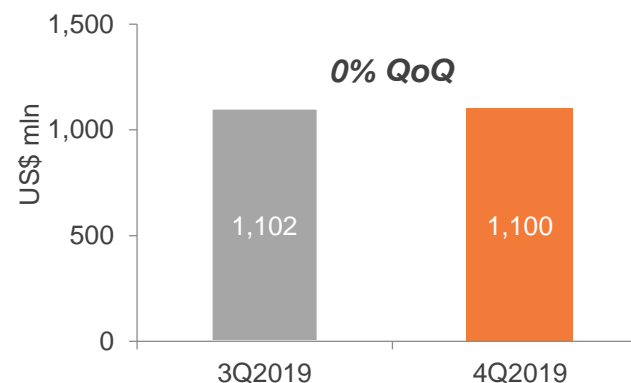
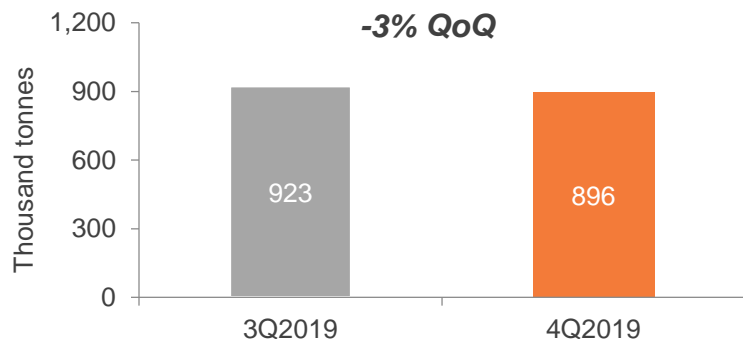
4Q / FY 2019 Summary Financial Results and Market Update



4Q 2019 vs.3Q 2019 Summary Financial Highlights

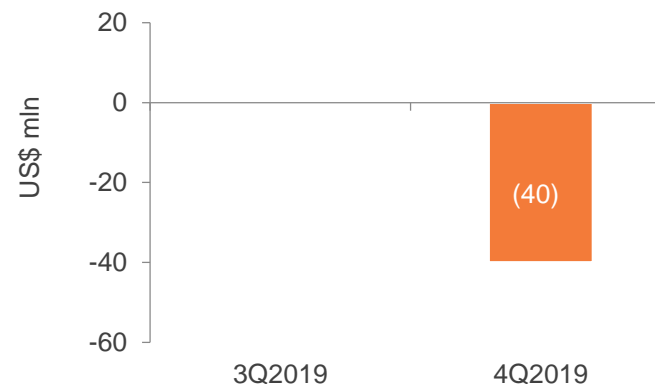
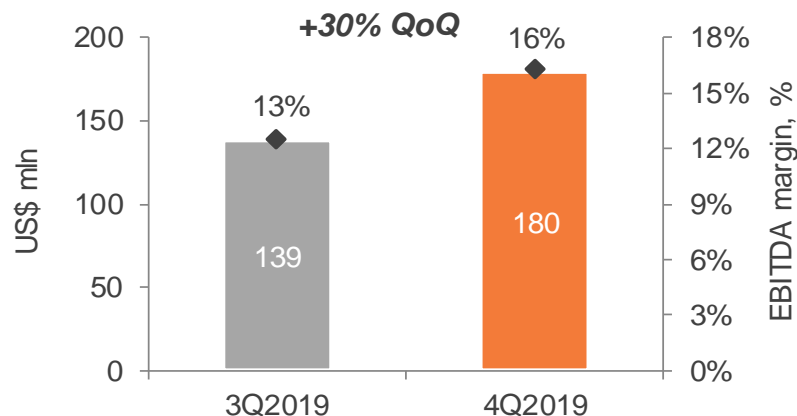
Sales declined QoQ due to a lower sales at the American division, reflecting an ongoing slowdown in drilling activity in North America and operators focusing on capital discipline

Revenue remained almost flat QoQ as the strong performance of the Russian division fully compensated for a weaker performance at the American and European divisions



Adjusted EBITDA increased QoQ, due to a stronger performance at the Russian division, which fully compensated for a weaker performance at the American and European divisions

Net profit decreased YoY, mainly due to the impairment of assets

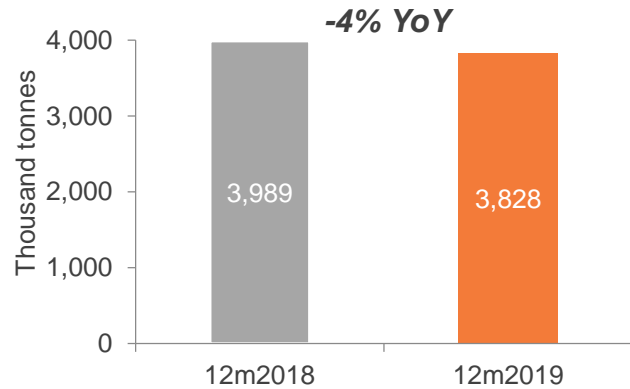


Source: TMK data

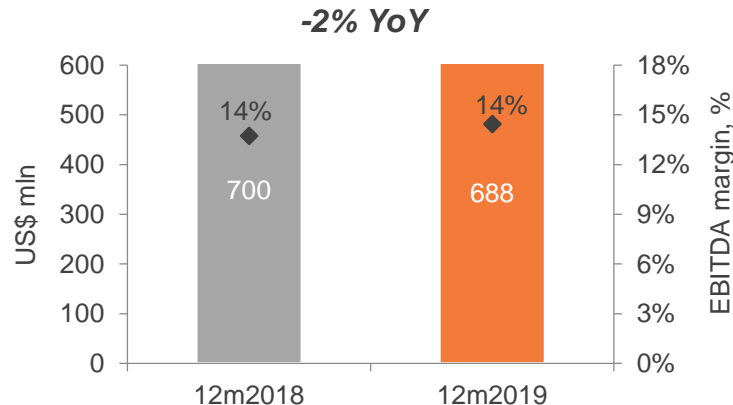


FY 2019 vs. FY 2018 Summary Financial Highlights

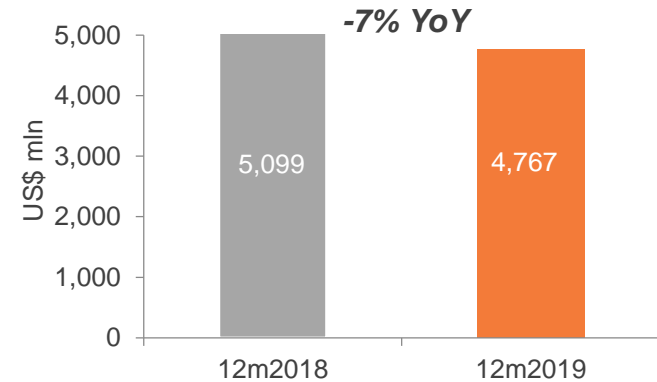
Sales declined YoY, mainly due to lower sales at the American and European divisions, which were partially offset by stronger sales at the Russian division



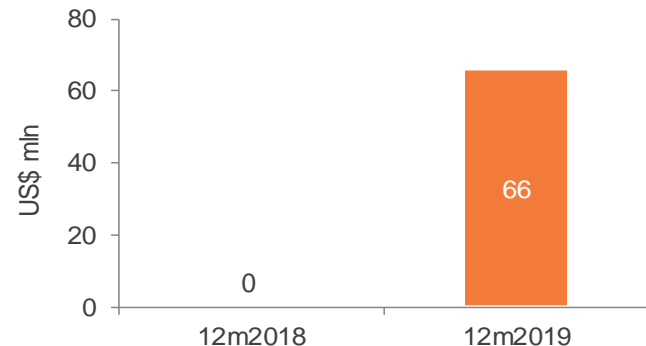
Adjusted EBITDA decreased YoY, due to lower EBITDA at the American and European divisions, which was almost fully offset by a stronger performance at the Russian division



Revenue declined YoY, mainly due to a decline at the American and European divisions. This was partially offset by higher revenue at the Russian division, despite the negative effect of currency translation



Net profit increased YoY, due to higher gross profit at the Russian division as well as FX gain, which fully offset the negative effect from impairment of assets

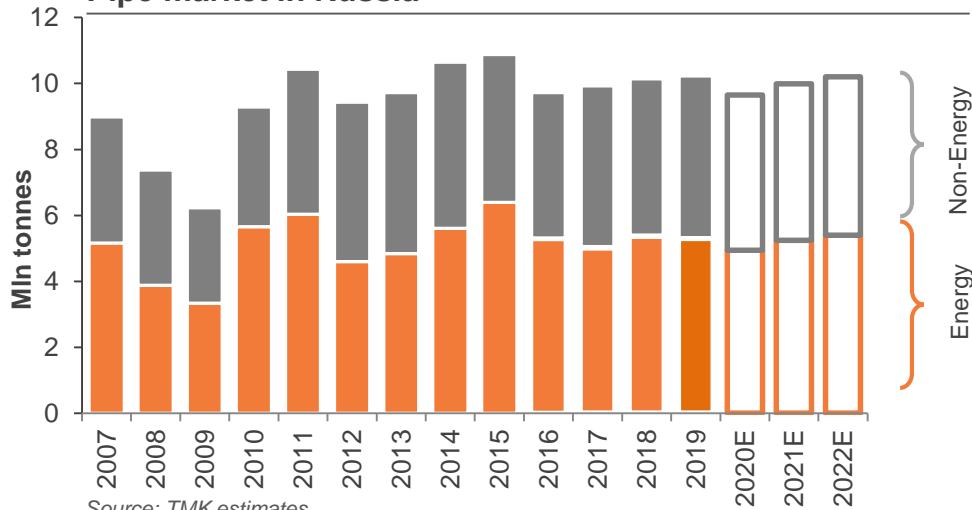


Source: TMK data



Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains robust



Source: CDU TEK

Key considerations

4Q 2019 vs. 3Q 2019

- In 4Q, the Russian pipe market declined by 10% compared to the previous quarter, mainly due to weak seasonal demand for industrial pipe, both seamless and welded, and lower shipments of large diameter pipe. The demand for OCTG pipes was stable following traditionally higher purchasing activity by the oil and gas companies.
- The share of horizontal drilling increased to nearly 54% in 4Q 2019.

12M 2019 vs. 12M 2018

- The Russian pipe market declined by 1% year-on-year, due to lower demand for line pipe, which was almost fully compensated by slightly higher demand for industrial pipe and stable demand for OCTG pipe,
- Demand for OCTG was supported by the increasing complexity of hydrocarbon production projects in Russia and a higher share of horizontal drilling (up to 53% in FY 2019 from 48% in FY 2018).

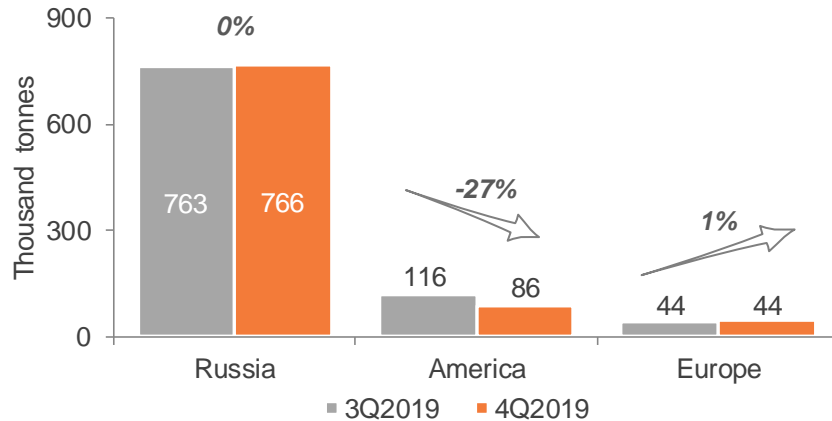


4Q 2019 vs. 3Q 2019 Results



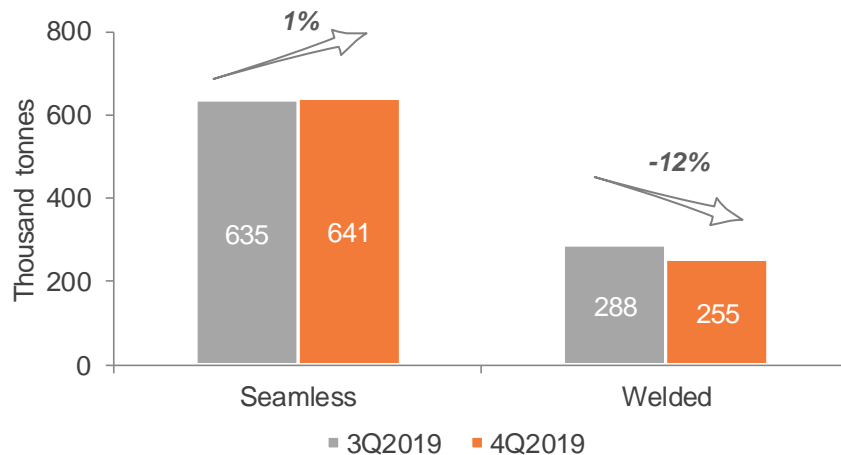
4Q 2019 vs. 3Q 2019 Sales by Division and Product Group

Sales by division



- Russian division sales remained almost flat QoQ, as the higher demand for line pipe fully offset weaker sales of large diameter and industrial pipe sales
- American division sales decreased QoQ, mainly due to weak demand, resulting from a slowdown in drilling activity, with the average number of rigs decreasing by 11% quarter-on-quarter, and operators focusing on capital discipline
- European division sales remained almost flat QoQ

Sales by product group



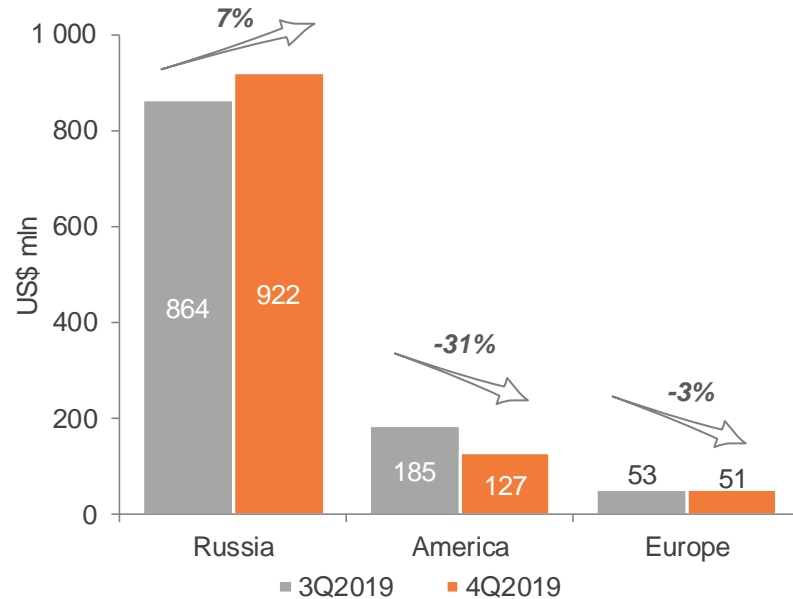
- Seamless pipe sales slightly increased QoQ, due to higher seamless line pipe sales and stable OCTG sales at the Russian division, which fully compensated for lower seamless pipe sales at the American division
- Welded pipe sales declined QoQ, mainly due to lower sales of large diameter pipe at the Russian division
- Total OCTG sales declined QoQ, due to lower sales at the American division

Source: TMK data



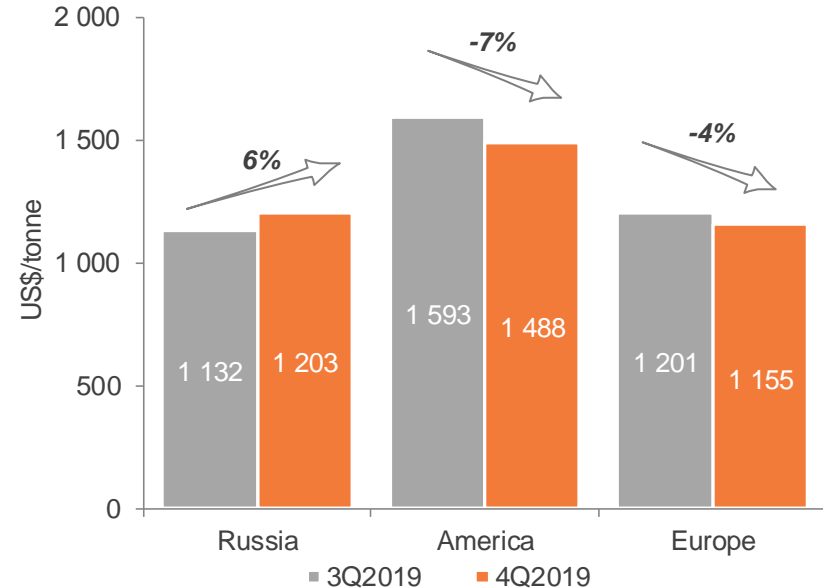
4Q 2019 vs. 3Q 2019 Revenue by Division

Revenue



- Russian division revenue increased QoQ, supported by stable demand for OCTG, higher demand for line pipe and, as a result, a better sales mix
- Weaker revenue at the American division was mainly a result of lower OCTG pipe sales and an unfavorable pricing environment
- European division revenue decreased QoQ, due to the negative effect of currency translation

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 QoQ, due to a more favourable product mix
- American division revenue per tonne was lower QoQ, due to an unfavorable pricing environment
- European division revenue per tonne decreased QoQ, due to the negative effect of currency translation

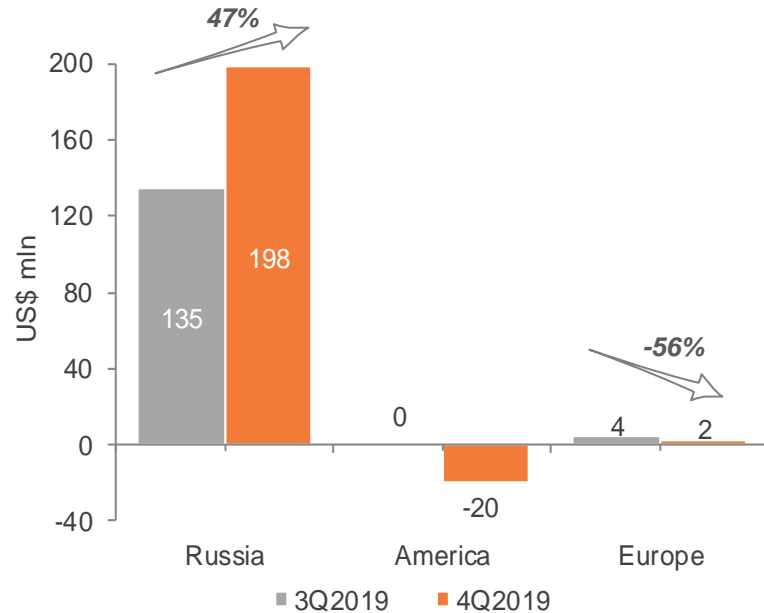
Source: Consolidated IFRS financial statements, TMK data

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.



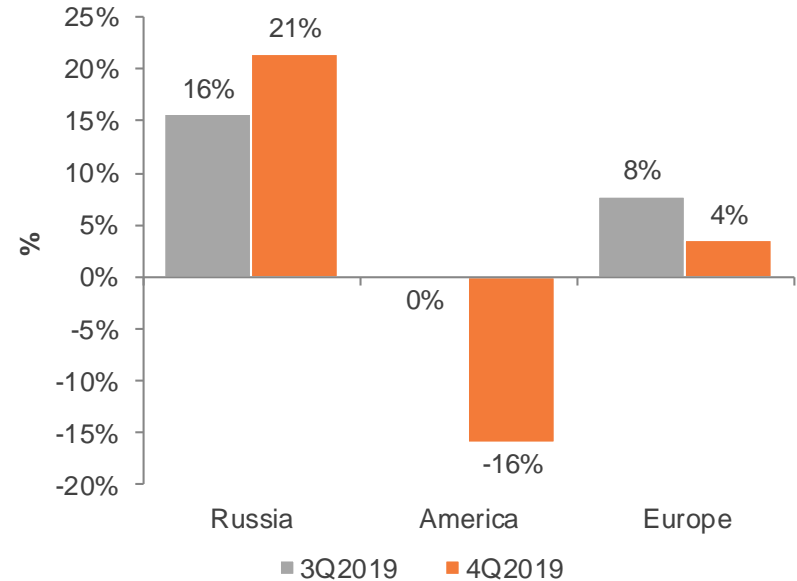
4Q 2019 vs. 3Q 2019 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA increased QoQ, due to lower raw material prices and an improved sales mix
- American division Adjusted EBITDA was negative, due to lower pipe sales and an unfavorable pricing environment
- European division Adjusted EBITDA decreased QoQ as conditions in the European pipe market remained challenging, with slowdown in demand resulting from an unstable economic environment and continued pressure on prices

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin increased by 5 p.p. QoQ, reflecting a higher share of line pipe in the sales mix
- American division Adjusted EBITDA margin declined QoQ
- European division Adjusted EBITDA margin declined QoQ

Source: Consolidated IFRS financial statements, TMK data

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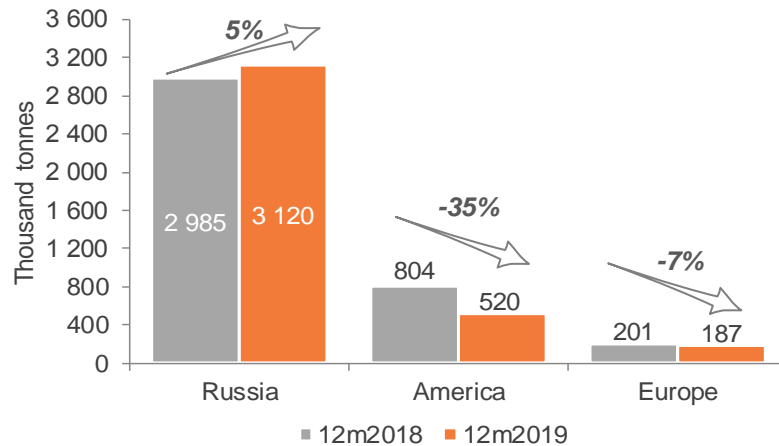


12M 2019 vs. 12M 2018 Results



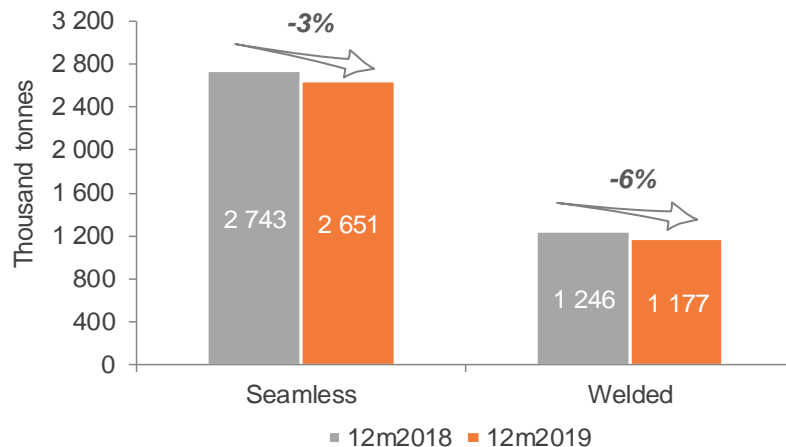
12M 2019 vs. 12M 2018 Sales by Division and Product Group

Sales by division



- Russian division sales increased YoY, driven by higher sales of large diameter and seamless OCTG pipe
- Sales volumes at the American division decreased YoY due to lower sales of both welded and seamless OCTG pipe as a result of a slowdown in drilling activity and operators focusing on capital discipline
- European division sales decreased YoY, mainly due to weaker market demand

Sales by product group



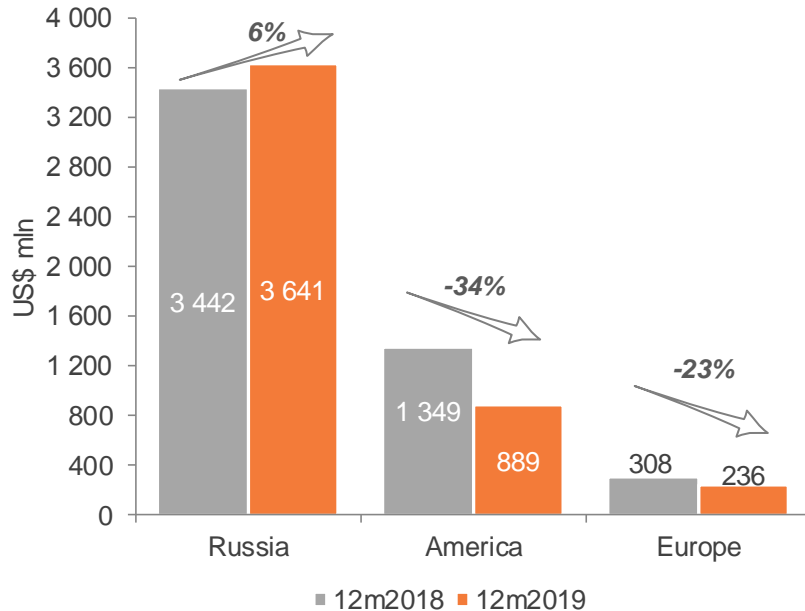
- Seamless pipe volumes decreased YoY due to a lower sales at the American and European divisions, which was partially offset by a stronger performance at the Russian division
- Welded pipe sales decreased YoY, as higher sales at the Russian division, including higher sales of large diameter pipe, were offset by weaker sales at the American division
- Total OCTG sales decreased 9% YoY, as higher sales at the Russian division were offset by weaker sales at the American division

Source: TMK data



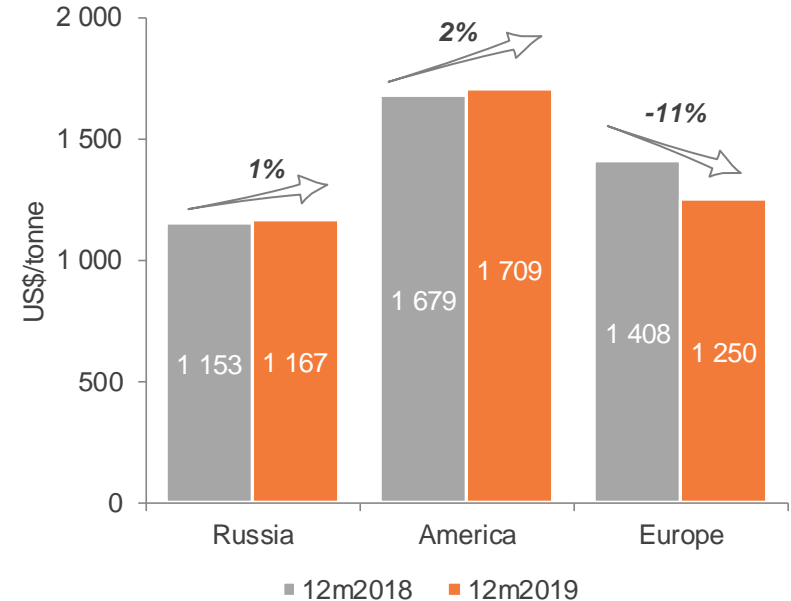
12M 2019 vs. 12M 2018 Revenue by Division

Revenue



- Revenue at the Russian division increased YoY, mainly due to stronger sales and better pricing. This was partially offset by the negative effect of currency translation
- Revenue at the American division declined YoY, mainly due to lower sales
- Revenue at the European division declined YoY, mainly due to lower sales

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 slightly YoY, reflecting a better product mix
- American division revenue per tonne increased YoY, reflecting a higher share of seamless products in the product mix
- European division revenue per tonne declined YoY, due to the negative effect of currency translation and an unfavourable pricing environment

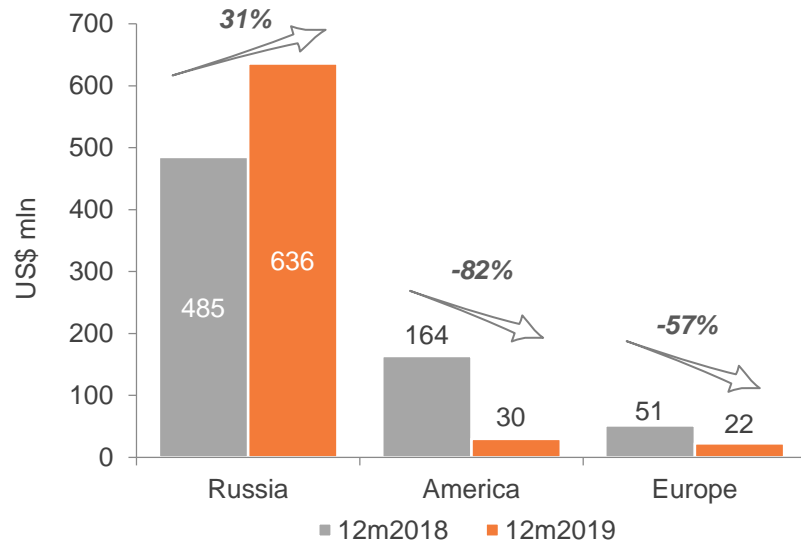
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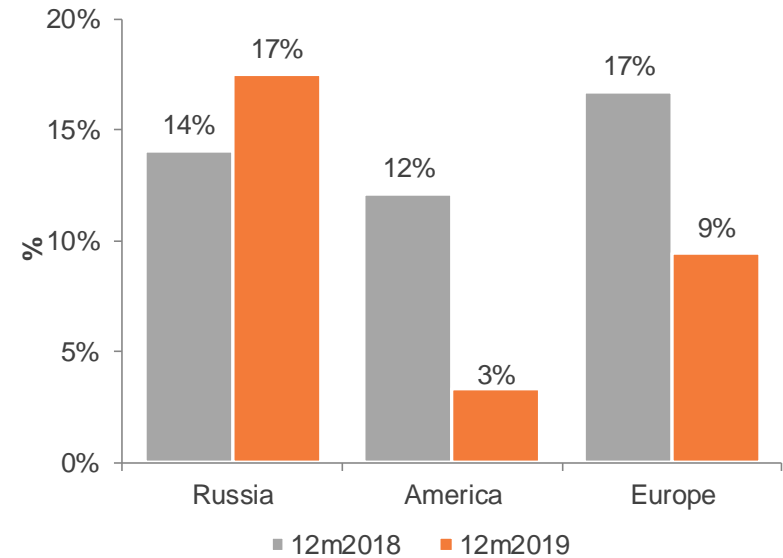
12M 2019 vs. 12M 2018 Adjusted EBITDA by Division

Adjusted EBITDA



- Adjusted EBITDA in the Russian division increased YoY, driven by stronger sales and better pricing
- American division Adjusted EBITDA declined YoY mainly due to lower sales
- European division Adjusted EBITDA declined YoY, mainly due to lower sales

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin increased YoY, reflecting an improved sales mix
- American division Adjusted EBITDA margin was down YoY, due to a slowdown in the North American market and weaker pricing
- European division Adjusted EBITDA margin declined YoY, reflecting an unfavourable pricing environment

Source: Consolidated IFRS financial statements, TMK data

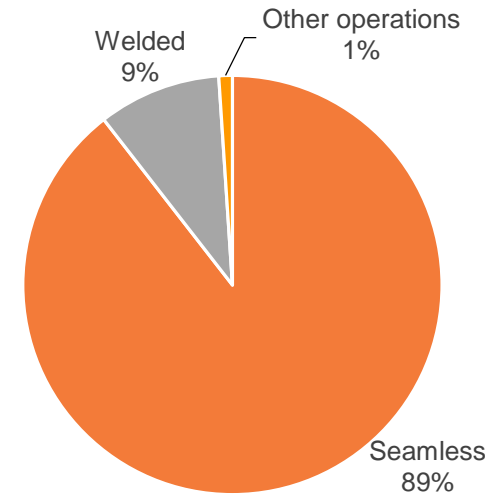
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Seamless – Core to Profitability

	US\$ mln <i>(unless stated otherwise)</i>	4Q2019	QoQ, %	12m2019	YoY, %
SEAMLESS	Sales - Pipes, kt	641	1%	2,651	-3%
	Revenue	807	1%	3,413	-4%
	Gross profit	227	12%	858	4%
	Margin, %	28%		25%	
	Avg revenue/tonne (US\$)	1,259	0%	1,288	-1%
	Avg gross profit/tonne (US\$)	353	11%	324	8%
WELDED	Sales - Pipes, kt	255	-12%	1,177	-6%
	Revenue	228	-15%	1,154	-9%
	Gross profit	19	7%	91	35%
	Margin, %	8%		8%	
	Avg revenue/tonne (US\$)	895	-4%	981	-4%
	Avg gross profit/tonne (US\$)	74	22%	77	43%

FY 2019 gross profit breakdown



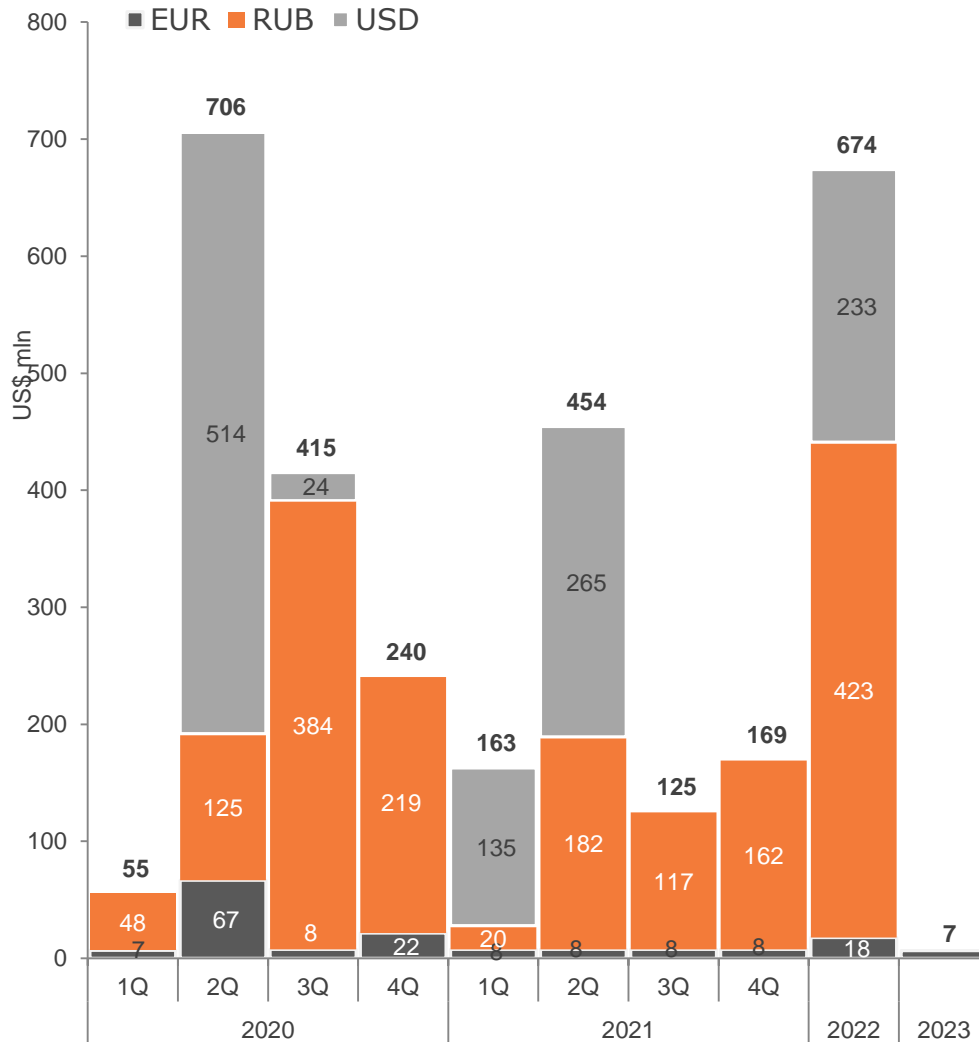
- Sales of seamless pipe generated 72% of total revenues in FY 2019
- Gross profit from seamless pipe sales represented 89% of FY 2019 total gross profit
- Gross profit margin from seamless pipe sales amounted to 25% in FY 2019

Source: Consolidated IFRS financial statements, TMK data

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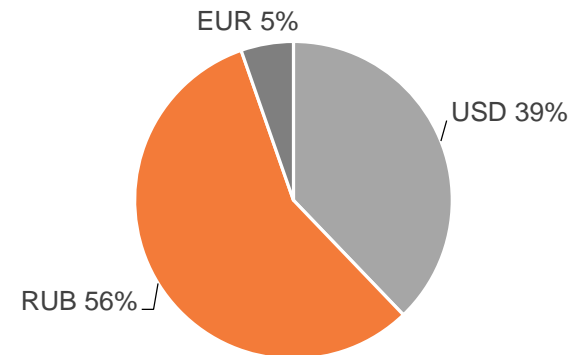


Debt Maturity Profile as at December 31, 2019



- Net debt increased from \$2,437 million as at December 31, 2018 to \$2,503 million as at December 31, 2019
- The weighted average nominal interest rate reduced by 35 bps compared to the end of 2018 to 6.95% as at the end of 4Q 2019
- Credit Ratings:
 - ✓ S&P BB-, Stable
 - ✓ Moody's B1, Positive

Debt currency structure



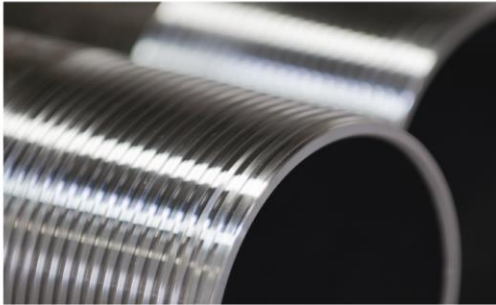
Source: TMK management accounts (figures based on non-IFRS measures), TMK estimates

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Outlook

- In Russia, TMK expects pipe consumption by domestic oil and gas companies to remain stable in 2020, despite certain headwinds in the first quarter. The increased complexity of hydrocarbon production projects in Russia is expected to result in higher demand for high tech products.
- In Europe, TMK expects seamless industrial pipe shipments at the European division to remain stable year-on-year, mainly supported by demand for high value-added products.



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