

TMK

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**Financial Presentation**

**4Q and FY 2013 IFRS Results**

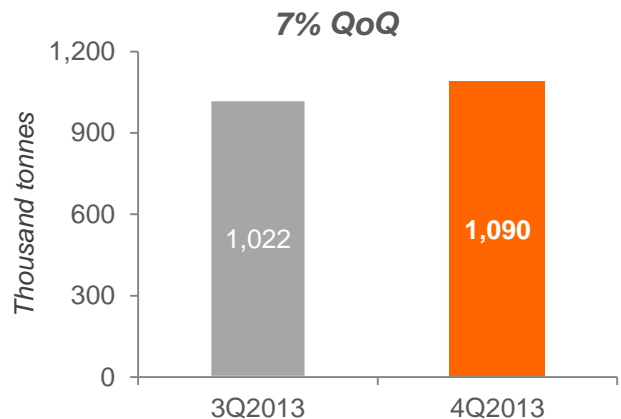
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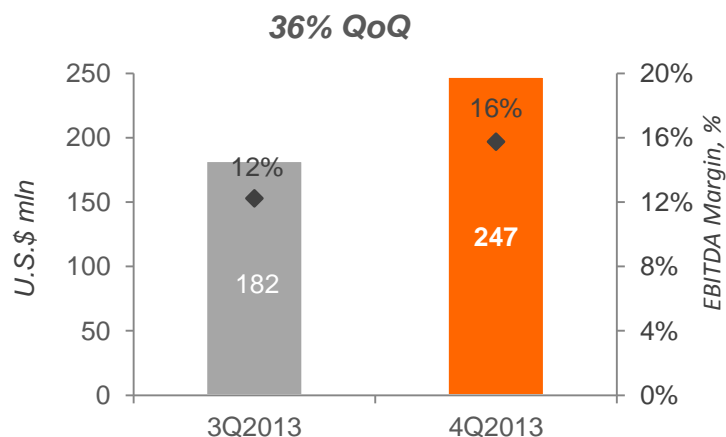
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# 4Q Summary Financial Highlights

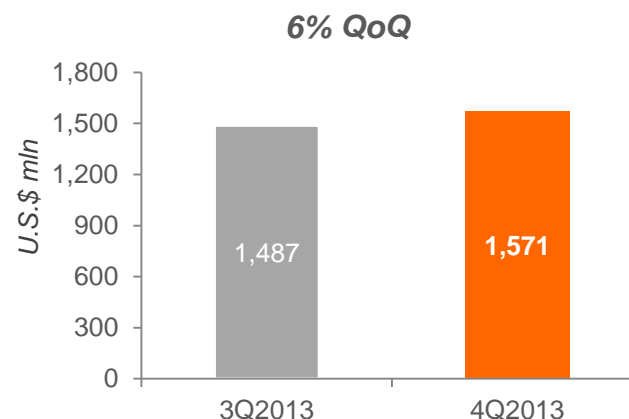
**Sales** increased QoQ mainly due to the growth of OCTG and line pipe sales in Russia



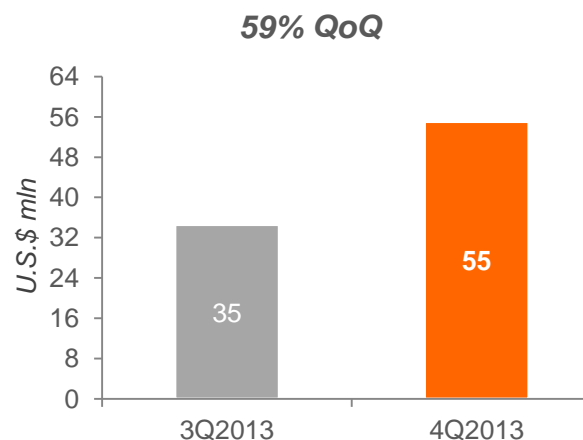
**Adjusted EBITDA** grew QoQ due to higher sales of seamless pipe in the Russian division and better product mix of welded pipe in the Russian and American divisions



**Revenue** increased QoQ mainly due to higher sales in the Russian and American divisions



**Net income** increased QoQ mostly due to the growth of gross profit

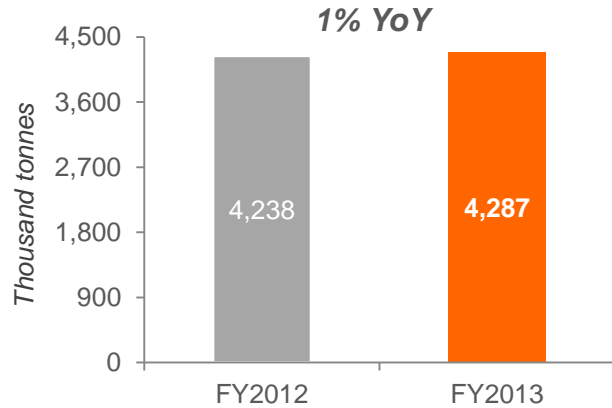


Source: TMK data

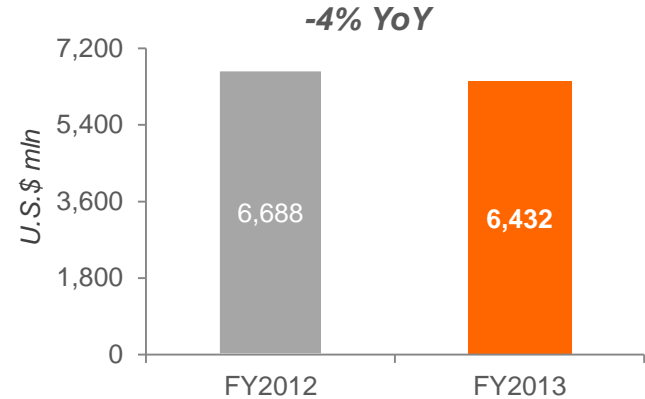
# FY 2013 Summary Financial Highlights



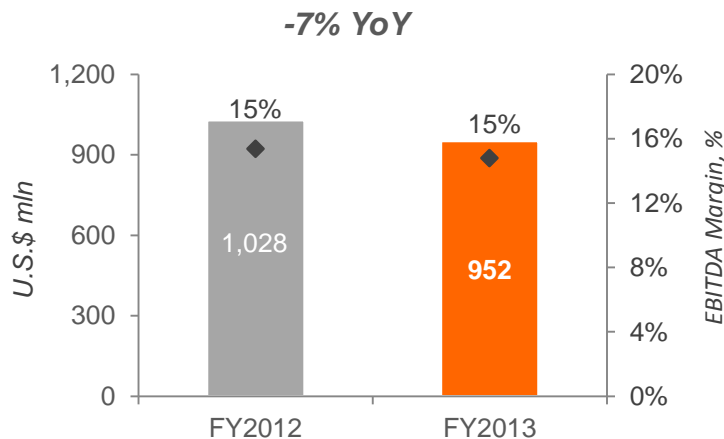
**Sales** increased YoY mainly due to higher volumes of welded OCTG pipe



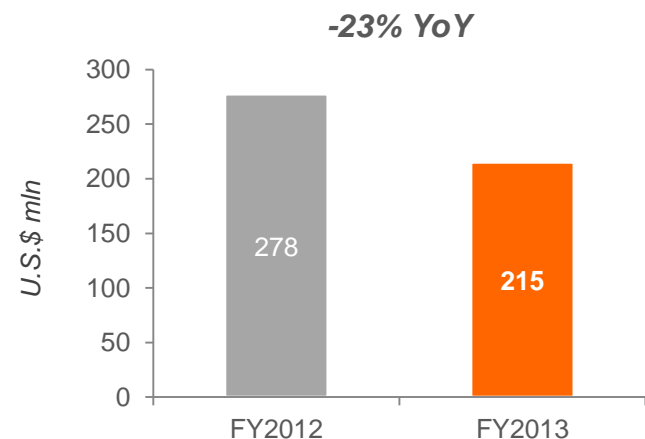
**Revenue** declined YoY mainly due to lower sales of seamless pipe in the Russian division and a negative effect of currency translation



**Adjusted EBITDA** declined negatively affected by unfavorable market conditions in the U.S. and Europe



**Net income** declined YoY negatively affected by foreign exchange loss in the amount of \$49 million



Source: TMK data

# Recent Developments



## Premium connections

- In November 2013, TMK united its two premium connections families TMK Premium and ULTRA under a single brand – TMK Ultra Premium (TMK UP). Bringing the two premium connections lines under the single brand will help expand bidding opportunities for the Company's premium tubular products worldwide, unify its portfolio of global packaged product offering, and raise global awareness of TMK's premium solutions.

## Contracts awarded

- In January 2014, TMK IPSCO was awarded two three-year contracts to provide both oil country tubular goods and line pipe to Shell for onshore and offshore applications. Five of TMK IPSCO's plants are currently providing pipe to Shell under the OCTG contract, TMK's Volzhsky and Sinarsky mills in Russia will provide line pipe under Shell's specification.

## Qualification and certification

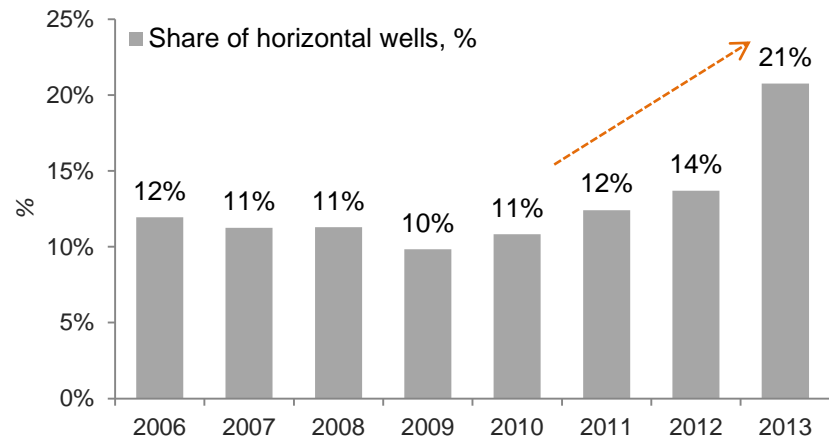
- In February 2014, TMK's service and support center in Abu-Dhabi was certified by Abu Dhabi Company for Offshore Oil Operations (ADCO) to supply oilfield services.
- In February 2014, TMK received official confirmation that its pipes made of the Company's Russian-produced billets are eligible for use by Iraq's South Oil Company (SOC).
- In March 2014, TAGMET was qualified by Kuwait Oil Company (KOC), one of the Middle East oil majors, as an approved supplier of TMK UP PF and TMK UP PF ET premium connections.

## Prices Increase

- In March 2014, TMK announced a 5-10% increase in prices for some of its tubular products under new contracts starting from April 1, 2014.

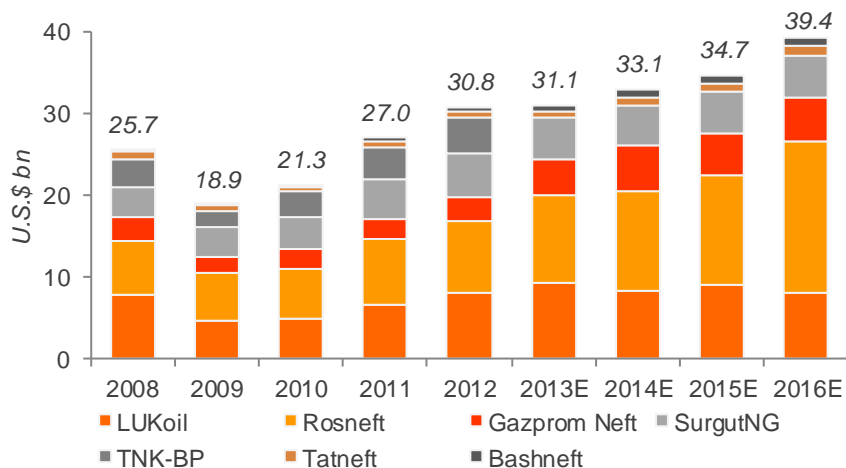


## Share of Horizontal Drilling is Growing



Source: Citi equity research

## Oil Companies' Upstream Capex is Expected to Increase

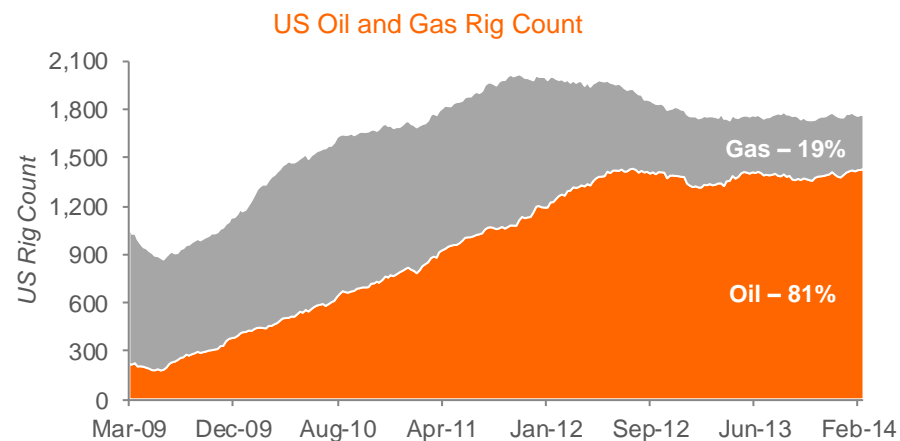


Source: Companies data, Citi equity research

## Key Considerations

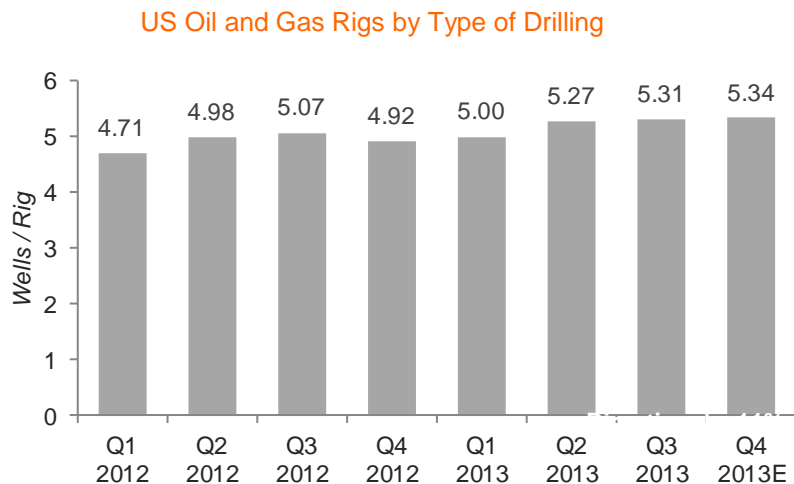
- In 4Q 2013, the Russian pipe market decreased by 5% from the prior quarter mainly as a result of a seasonal decline of industrial pipe market. For 2013, the Russian pipe market increased by 4% YoY largely due to higher consumption of oil and gas pipe grades.
- Demand for seamless OCTG and line pipe increased in 4Q 2013 over the prior period by 4% and 20% respectively in majority due to seasonally higher consumption of oil and gas grades.
- For the full year 2013, share of horizontal drilling increased to 21% of total oil well footage compared to 14% for the full year 2012.
- The LD pipe market in Russia in 4Q 2013 increased by 32% compared to the prior quarter mainly as a result of the start of shipments to Gazprom's South Corridor project. For 2013, LD pipe market in Russia slightly declined by 1% YoY.
- In 4Q 2013, seamless and welded industrial pipe market in Russia dropped by 24% and 19% over the prior quarter respectively, impacted by seasonally lower demand during the period. For 2013, seamless industrial pipe market declined by 3% YoY due to weaker consumption in the machinery industry, while welded industrial pipe market increased by 4% compared to 2012.

## Growing Oil Drilling Activity Supported by Steadily High Crude Oil Prices



Source: Baker Hughes

## Premium Tubular Content Increasing with Unconventional Drilling Activity



Source: Baker Hughes

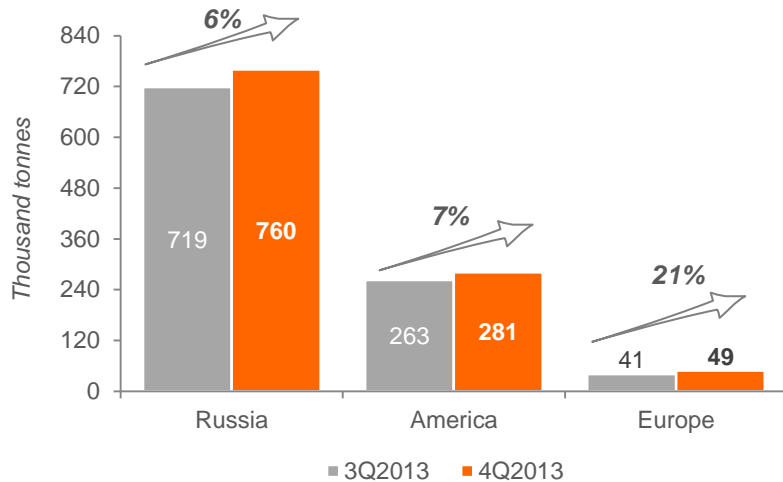
## Key Considerations

- In 2013, the U.S. rig count averaged 1,761 compared to 1,919 in 2012. In 4Q 2013, average rig count remained relatively flat compared to the prior quarter, with a slight decrease in the natural gas rig count of 2.5%.
- Decrease in rig count was partially offset by the growth in drilling efficiencies. The average number of wells per rig increased by 6.5% year-on-year from 4.92 in 2012 to 5.24 in 2013.
- Though the rig count declined, more pipe per rig was used as operators trend toward more horizontal and directional drilling, which accounted for 75% of total drilling for FY 2013.
- According to Pipe Logix, in 2013, average OCTG welded prices decreased by 10% compared to 2012, and seamless prices decreased by 9% year-on-year.
- However, prices for 4Q 2013 remained relatively flat compared to the prior quarter, as the market awaited the preliminary decision of the U.S. Department of Commerce regarding the OCTG trade case.
- In February 2014, the U.S. DoC took a preliminary decision not to impose duties on south Korean duties. 12% of total imports received duties of around 10%+. The final decision will be taken on July 7, 2014.

Source: Baker Hughes, OCTG Situation Report

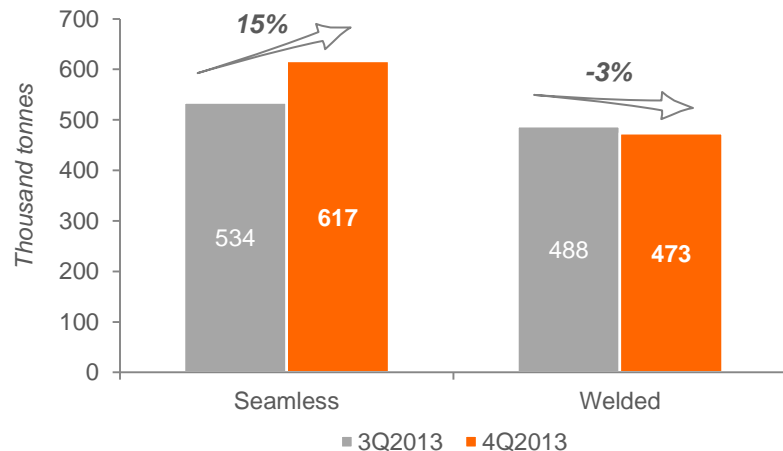
# 4Q 2013 Sales by Division and Group of Product

## 4Q 2013 Sales by Division



- Russian division sales increased QoQ mainly due to higher seamless OCTG and line pipe volumes.
- American division sales grew QoQ due to higher welded OCTG and line pipe volumes.
- European division sales increased QoQ due to higher seamless pipe volumes.

## 4Q 2013 Sales by Group of Product

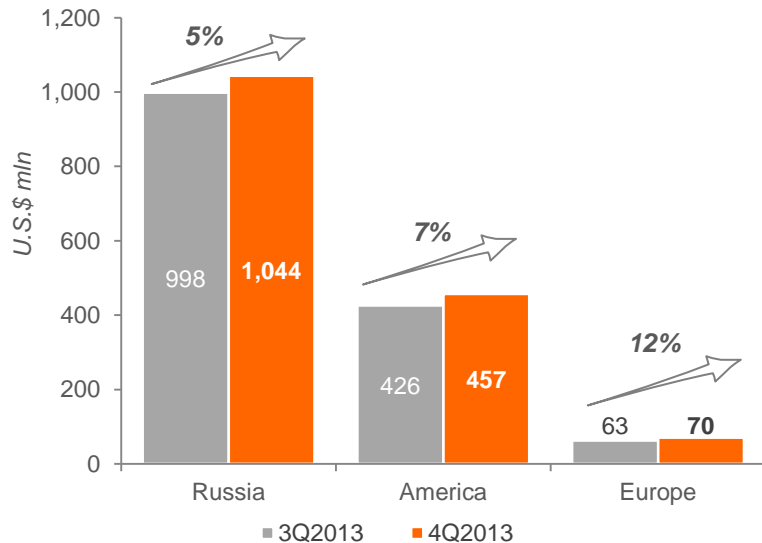


- Seamless pipe sales increased QoQ as a result of higher seamless OCTG and line pipe sales due to seasonally higher demand from oil and gas producers.
- Welded pipe sales declined QoQ mostly due to lower welded industrial and large diameter pipe (LDP) volumes.
- Total OCTG sales grew up by 19% QoQ due to increased volumes in the Russian division.



# 4Q 2013 Revenue by Division

## 4Q 2013 Revenue



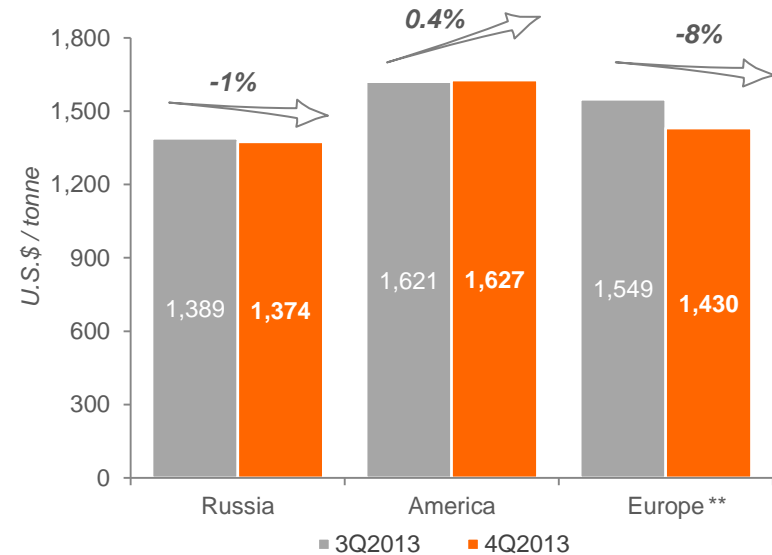
- Revenue for the Russian division increased largely due to an increase in seamless pipe sales.
- Revenue for the American division increased, primarily driven by higher welded OCTG and line pipe volumes and improved product mix of seamless pipe.
- Revenue for the European division increased mainly due to sales growth of seamless pipe.

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 2013 Revenue per Tonne\*



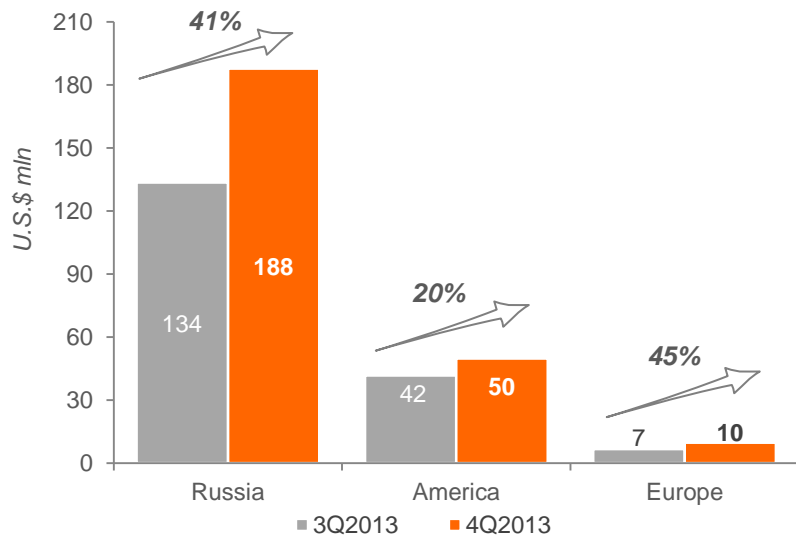
\* Revenue per tonne for all three divisions includes other revenue

\*\* Revenue for the European Division includes revenue from steel billets sales

- Russian division revenue per tonne slightly decreased QoQ due to unfavorable sales mix of seamless pipe.
- American division revenue per tonne remained almost flat QoQ as the market awaited the preliminary decision of the U.S. Department of Commerce regarding the OCTG trade case.
- European division revenue per tonne declined due to lower pricing.

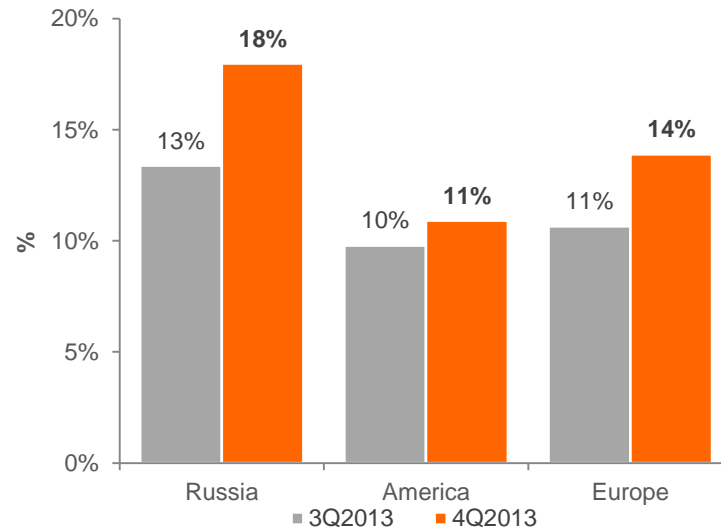
# 4Q 2013 Adjusted EBITDA by Division

## 4Q 2013 Adjusted EBITDA



- Russian division Adjusted EBITDA grew mainly due to improved welded pipe sales mix as a result of increased share of high margin LD pipe.
- American division Adjusted EBITDA increased mostly due to a favorable sales mix of seamless and welded pipe.
- European division Adjusted EBITDA increased largely due to an increase in seamless pipe sales.

## 4Q 2013 Adjusted EBITDA Margin



- Russian division Adjusted EBITDA margin increased QoQ mainly as a result of improved sales mix of welded pipe.
- American division Adjusted EBITDA margin slightly improved mainly due to a favorable sales mix.
- European division Adjusted EBITDA margin increased due to favorable sales mix.

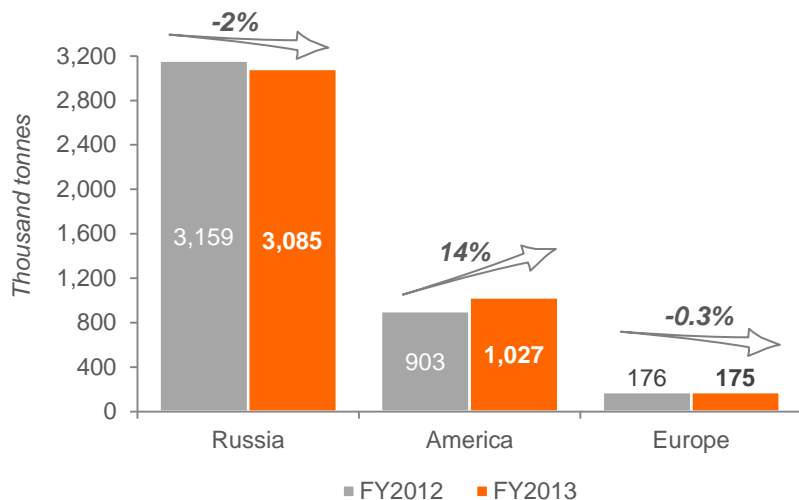
Source: TMK Consolidated IFRS Financial Statements, TMK data

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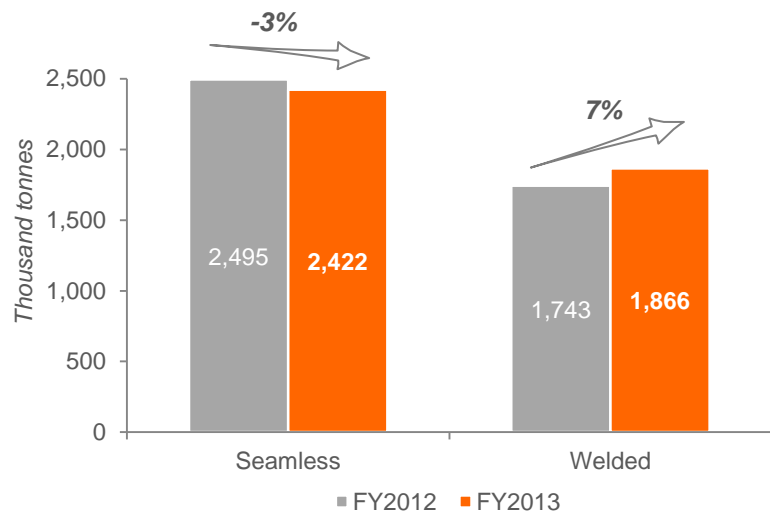
# FY 2013 Sales by Division and Group of Product

## FY 2013 Sales by Division



- Russian division sales declined YoY mostly due to lower OCTG and line pipe volumes.
- American division sales increased YoY due to higher welded and seamless OCTG pipe volumes.
- European division sales remained almost flat YoY.

## FY 2013 Sales by Group of Product



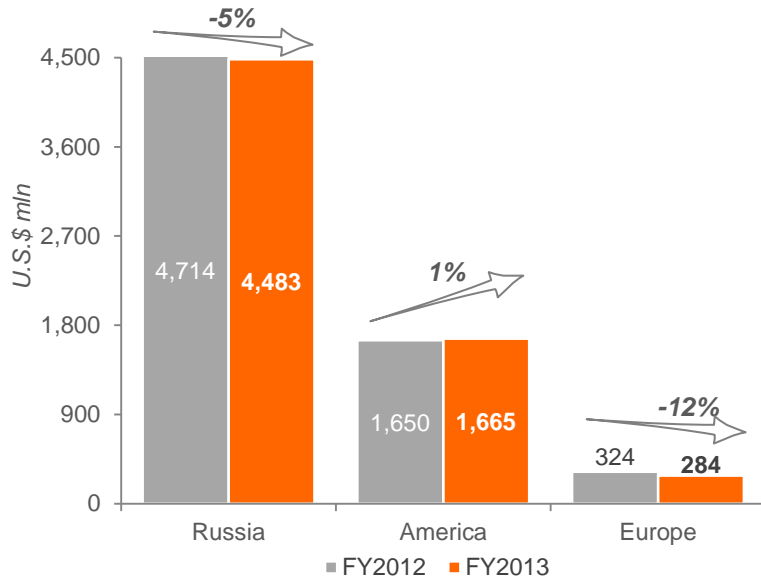
- Seamless pipe decreased YoY due to lower line pipe volumes in the Russian division.
- Welded pipe sales increased YoY largely as a result of higher volumes of welded OCTG and LD pipe.
- Total OCTG sales increased YoY mainly due to higher volumes in the American division.

Source: TMK data

# FY 2013 Revenue by Division



## FY 2013 Revenue



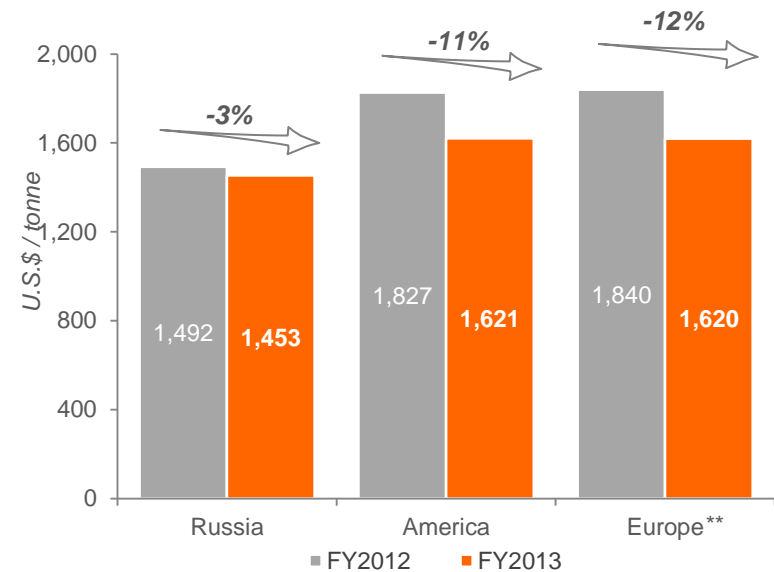
- Revenue for the Russian division decreased mainly due to lower seamless pipe sales and a negative effect of currency translation.
- Revenue for the American division increased mainly on the back of higher sales of seamless and welded pipe and better seamless product mix, which was partially offset by lower market prices affected by high imports.
- Revenue for the European division decreased primarily due to weaker pipe pricing and lower sales of steel billets.

Source: Consolidated IFRS Financial Statements, TMK data

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## FY 2013 Revenue per Tonne\*



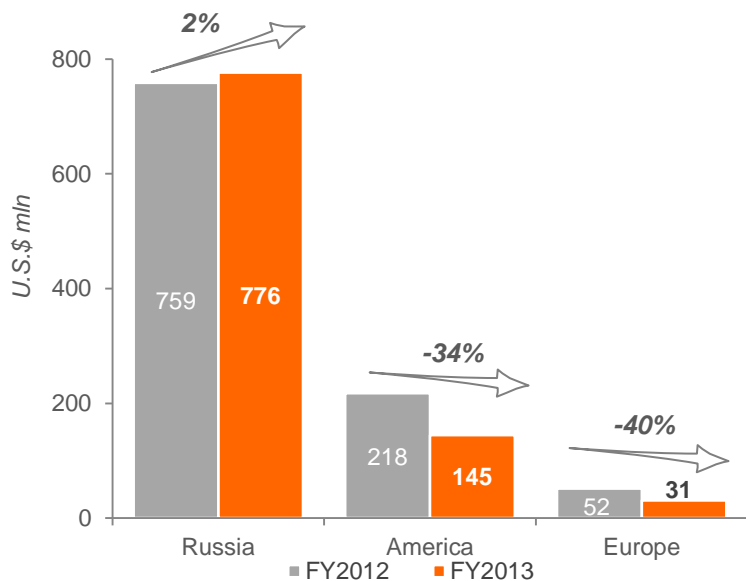
\* Revenue per tonne for all three divisions includes other revenue

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- Russian division revenue per tonne decreased YoY as a result of unfavorable sales mix and a negative effect of currency translation.
- American division revenue per tonne declined as a result of weaker pricing.
- European division revenue per tonne declined as a result of lower pricing.

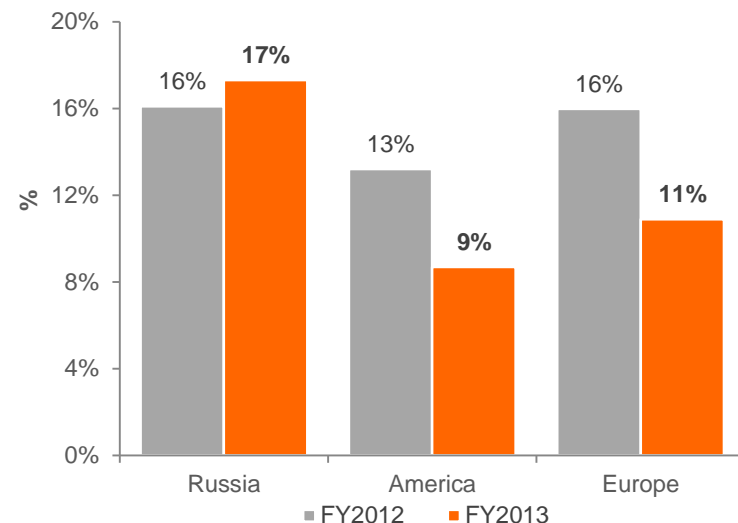
# FY 2013 Adjusted EBITDA by Division

## FY 2013 Adjusted EBITDA



- Russian division Adjusted EBITDA increased due to a decrease in selling, administrative and other operating expenses.
- American division Adjusted EBITDA decreased primarily due to unfavorable market conditions resulted in weaker pricing in welded and seamless pipe.
- European division Adjusted EBITDA declined affected by the unstable situation on the European market.

## FY 2013 Adjusted EBITDA Margin



- Russian division Adjusted EBITDA margin improved largely due to lower SG&A as a percentage of revenue.
- American division Adjusted EBITDA margin fell mainly due to weaker pricing across all product lines.
- European division Adjusted EBITDA margin declined due to low average selling prices.

Source: TMK Consolidated IFRS Financial Statements, TMK data

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# Seamless – Core to Profitability



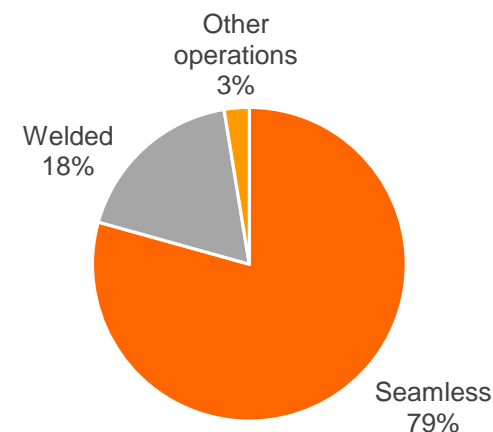
	U.S.\$ mln (unless stated otherwise)	4Q 2013	QoQ, %	FY 2013	YoY, %
<b>SEAMLESS</b>	Volumes- Pipes, kt	617	15%	2,422	-3%
	<b>Revenue</b>	<b>978</b>	12%	<b>3,960</b>	-4%
	Gross Profit	251	8%	1,077	-1%
	Margin, %	26%		27%	
	Avg Revenue / Tonne (U.S.\$)	1,586	-3%	1,635	-1%
	Avg Gross Profit / Tonne (U.S.\$)	407	-7%	445	2%
<b>WELDED</b>	Volumes- Pipes, kt	473	-3%	1,866	7%
	<b>Revenue</b>	<b>527</b>	-5%	<b>2,201</b>	-2%
	Gross Profit	85	104%	246	-28%
	Margin, %	16%		11%	
	Avg Revenue / Tonne (U.S.\$)	1,113	-2%	1,180	-9%
	Avg Gross Profit / Tonne (U.S.\$)	179	110%	132	-33%

Source: Consolidated IFRS Financial Statements, TMK data

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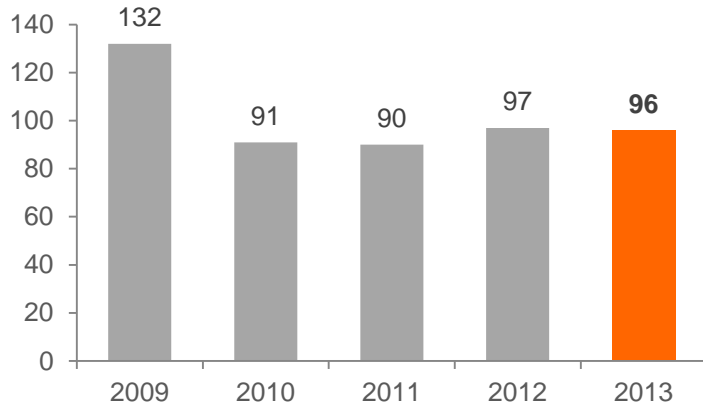
## FY 2013 Gross Profit Breakdown



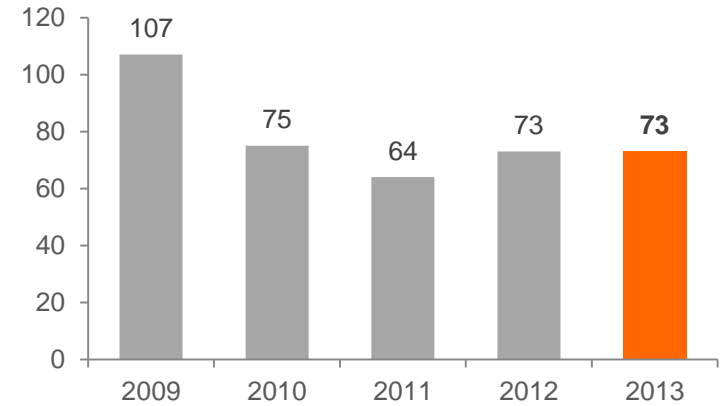
- Sales of seamless pipe generated **62%** of total Revenue in 4Q 2013 and **62%** for FY 2013.
- Gross Profit from seamless pipe sales represented **72%** of 4Q 2013 total Gross Profit and **79%** for FY 2013 total Gross Profit.
- Gross Profit Margin from seamless pipe sales amounted to **26%** in 4Q 2013 and **27%** for FY 2013.

# Working Capital Position for FY 2013

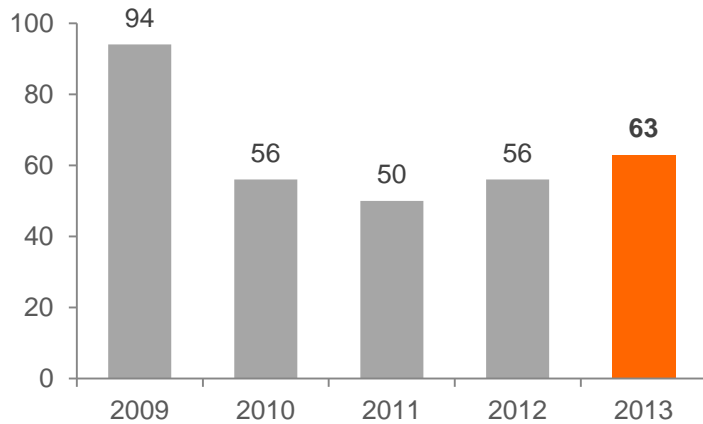
## Inventories (Days)



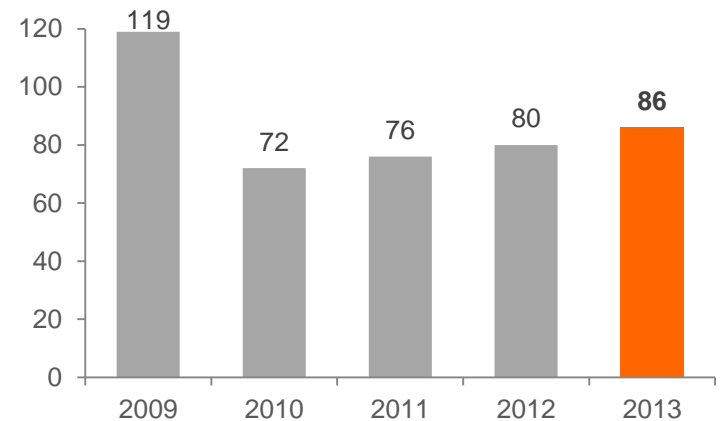
## Accounts Payable (Days)



## Accounts Receivable (Days)

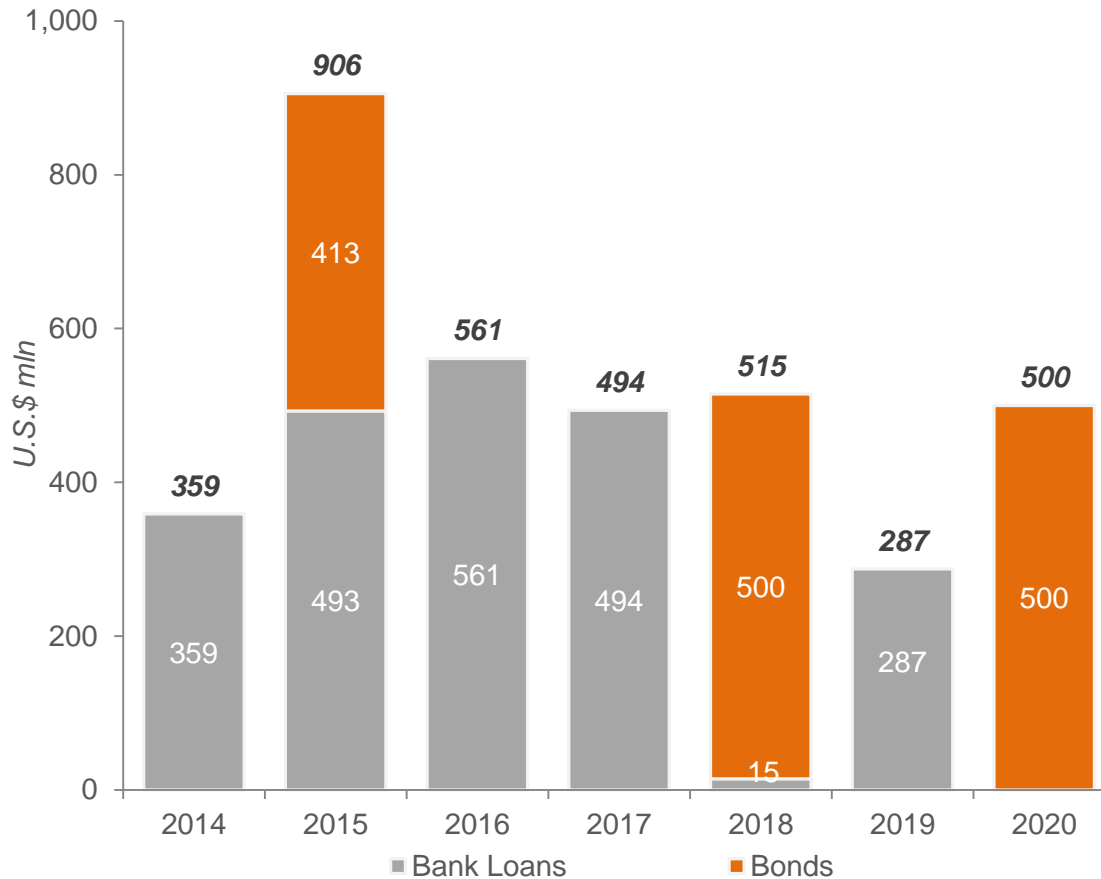


## Cash Conversion Cycle (days)



Source: TMK data

# Debt Maturity Profile as of December 31, 2013



- As of December 31, 2013, total financial debt amounted to U.S.\$3,694 mln
- 89% of total financial debt is long-term
- Weighted average nominal interest rate totalled 6.72%
- As of December 31, 2013, borrowings with a floating interest rate represented U.S.\$579 million, or 16%, borrowings with a fixed interest rate – U.S.\$3,063 million, or 84%
- Credit Ratings:
  - S&P: B+, Stable;
  - Moody's: B1, Stable.

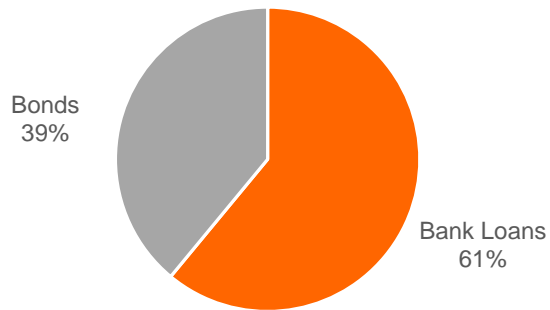
Note: TMK management accounts. Figures above are based on non-IFRS measures, estimates from TMK management



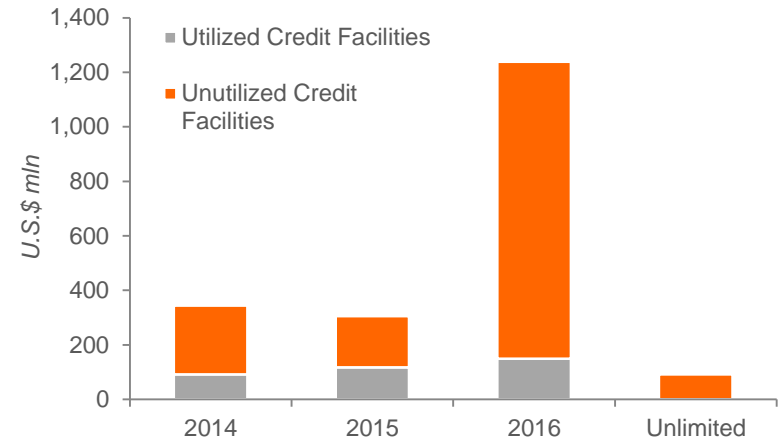
# Debt Profile as of December 31, 2013



## Debt Breakdown by Source of Borrowings

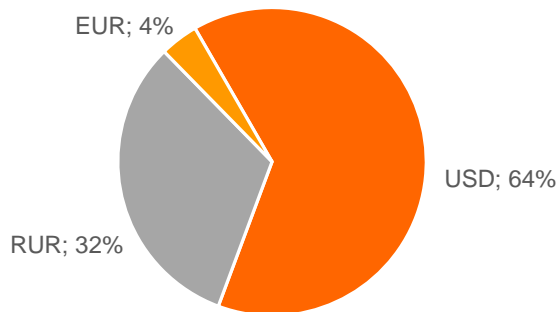


## More than U.S.\$1,6 bn of Undrawn Committed Credit Lines to Cover Short-term Debt

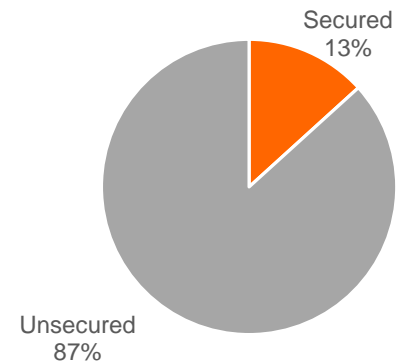


Note: TMK management accounts. Figures above are based on non-IFRS measures, estimates from TMK management.

## Debt Breakdown by Currency



## Just 13% of Debt is Secured with Assets and Mortgages



Note: TMK management accounts. Figures above are based on non-IFRS measures, estimates from TMK management.

Source: TMK data

For the full year 2014, the Company observes an increase of the pipe market in Russia mainly due to higher consumption of oil and gas pipe grades. In particular, as a result of horizontal drilling growth and further development of unconventional oil and gas reserves, the Company expects increasing demand for high quality TMK Ultra Premium (TMK UP) connections, uniquely designed to meet specific drilling applications.

In the U.S. TMK expects further improvements in drilling speeds and horizontal lengths throughout 2014, as well as in the percentage of horizontal and directional rigs relative to total rig count, which as of the end of 2013 amounted to 75% of total rig count. Both trends combined with the recent uptick in average rig count, point towards slight gains in OCTG consumption during 2014. Given the preliminary decision of the U.S. Department of Commerce concerning the OCTG trade case, the Company does not anticipate an improvement in OCTG prices during 2014.

The environment in the European pipe market, which is going through a lasting recession, will remain largely unchanged in 2014 compared to 2013.

## Appendix – Summary Financial Accounts

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# Income Statement



US\$ mln	2013	2012	2011	2010	2009
<b>Revenue</b>	<b>6,432</b>	<b>6,688</b>	<b>6,754</b>	<b>5,579</b>	<b>3,461</b>
Cost of Sales	(5,074)	(5,209)	(5,307)	(4,285)	(2,905)
<b>Gross Profit</b>	<b>1,358</b>	<b>1,479</b>	<b>1,446</b>	<b>1,293</b>	<b>556</b>
Selling and Distribution Expenses	(379)	(433)	(411)	(403)	(313)
General and Administrative Expenses	(317)	(293)	(283)	(232)	(204)
Advertising and Promotion Expenses	(12)	(11)	(9)	(11)	(5)
Research and Development Expenses	(13)	(17)	(19)	(13)	(10)
Other Operating Expenses, Net	(34)	(57)	(40)	(34)	(17)
Foreign Exchange Gain / (Loss), Net	(49)	23	(1)	10	14
Finance Costs, Net	(245)	(275)	(271)	(412)	(404)
Other	5	(16)	132	(12)	(46)
<b>Income / (Loss) before Tax</b>	<b>312</b>	<b>400</b>	<b>544</b>	<b>185</b>	<b>(427)</b>
Income Tax (Expense) / Benefit	(98)	(123)	(159)	(81)	103
<b>Net Income / (Loss)</b>	<b>215</b>	<b>278</b>	<b>385</b>	<b>104</b>	<b>(324)</b>

Source: Consolidated IFRS Financial Statements

Note:

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# Statement of Financial Position

US\$ mln	2013	2012	2011	2010	2009
<b>ASSETS</b>					
Cash and Bank Deposits	93	225	231	158	244
Accounts Receivable	995	914	772	720	580
Inventories	1,324	1,346	1,418	1,208	926
Prepayments	148	180	200	172	223
Other Financial Assets	0	4	4	4	4
<b>Total Current Assets</b>	<b>2,561</b>	<b>2,670</b>	<b>2,625</b>	<b>2,262</b>	<b>1,977</b>
Assets Classified as Held for Sale		-	-	8	-
<b>Total Non-current Assets</b>	<b>4,857</b>	<b>4,934</b>	<b>4,507</b>	<b>4,592</b>	<b>4,704</b>
<b>Total Assets</b>	<b>7,419</b>	<b>7,603</b>	<b>7,132</b>	<b>6,862</b>	<b>6,681</b>
<b>LIABILITIES AND EQUITY</b>					
Accounts Payable	1,105	1,132	1,053	878	1,057
ST Debt	398	1,068	599	702	1,537
Dividends	6	-	-	-	-
Other Liabilities	62	74	53	94	27
<b>Total Current Liabilities</b>	<b>1,571</b>	<b>2,275</b>	<b>1,705</b>	<b>1,674</b>	<b>2,622</b>
LT Debt	3,296	2,817	3,188	3,170	2,214
Deferred Tax Liability	298	302	305	300	272
Other Liabilities	125	125	111	111	85
<b>Total Non-current Liabilities</b>	<b>3,718</b>	<b>3,244</b>	<b>3,603</b>	<b>3,581</b>	<b>2,571</b>
<b>Equity</b>	<b>2,130</b>	<b>2,084</b>	<b>1,823</b>	<b>1,606</b>	<b>1,488</b>
<i>Including Non-Controlling Interest</i>	<i>96</i>	<i>99</i>	<i>92</i>	<i>94</i>	<i>74</i>
<b>Total Liabilities and Equity</b>	<b>7,419</b>	<b>7,603</b>	<b>7,132</b>	<b>6,862</b>	<b>6,681</b>
Net Debt	3,600	3,656	3,552	3,710	3,503

Source: Consolidated IFRS Financial Statements

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.

# Cash Flow



US\$ mln	2013	2012	2011	2010	2009
<b>Profit / (Loss) before Income Tax</b>	<b>312</b>	<b>400</b>	<b>544</b>	<b>185</b>	<b>(427)</b>
<i>Adjustments for:</i>					
Depreciation and Amortisation	326	326	336	301	313
Net Interest Expense	245	275	271	412	406
Others	61	39	(101)	45	36
Working Capital Changes	(159)	(34)	(156)	(527)	558
<b>Cash Generated from Operations</b>	<b>786</b>	<b>1,006</b>	<b>894</b>	<b>415</b>	<b>886</b>
Income Tax Paid	(82)	(77)	(107)	(29)	(33)
<b>Net Cash from Operating Activities</b>	<b>703</b>	<b>929</b>	<b>787</b>	<b>386</b>	<b>852</b>
Capex	(397)	(445)	(402)	(314)	(395)
Acquisitions	(38)	(33)	-	-	(510)
Others	12	23	25	43	14
<b>Net Cash Used in Investing Activities</b>	<b>(423)</b>	<b>(455)</b>	<b>(377)</b>	<b>(271)</b>	<b>(891)</b>
Net Change in Borrowings	(93)	(148)	4	103	582
Others	(313)	(341)	(339)	(289)	(447)
<b>Net Cash Used in Financing Activities</b>	<b>(407)</b>	<b>(489)</b>	<b>(335)</b>	<b>(186)</b>	<b>135</b>
Net Foreign Exchange Difference	(5)	10	(2)	(15)	4
Cash and Cash Equivalents at January 1	225	231	158	244	143
<b>Cash and Cash Equivalents at YE</b>	<b>93</b>	<b>225</b>	<b>231</b>	<b>158</b>	<b>244</b>

Source: Consolidated IFRS Financial Statements

Note:

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# Thank You

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