

TMK

Financial Presentation

3Q and 9M 2012 IFRS Results

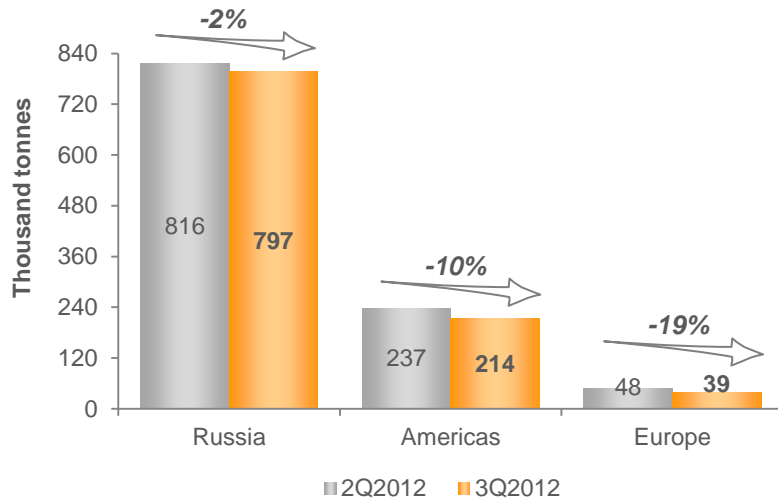
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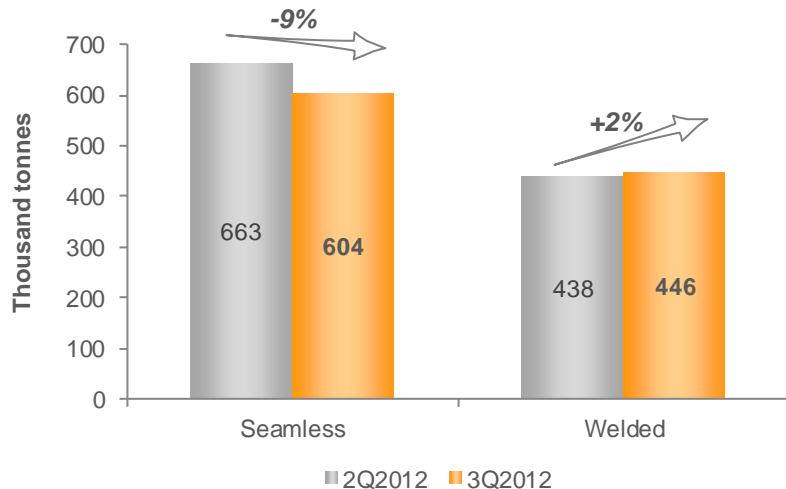
3Q 2012 Sales by Division and Group of Product

3Q 2012 Sales by Division



- Russian division sales decreased QoQ mainly due to lower seamless sales caused by major repairs at several Russian plants
- American division sales declined QoQ as a result of lower welded pipe volumes due to softening drilling environment in the U.S., on top of continued pressure from imports
- European division sales decreased QoQ due to lower seamless pipe volumes as a result of the continued challenging macroeconomic conditions that persist in the European Union

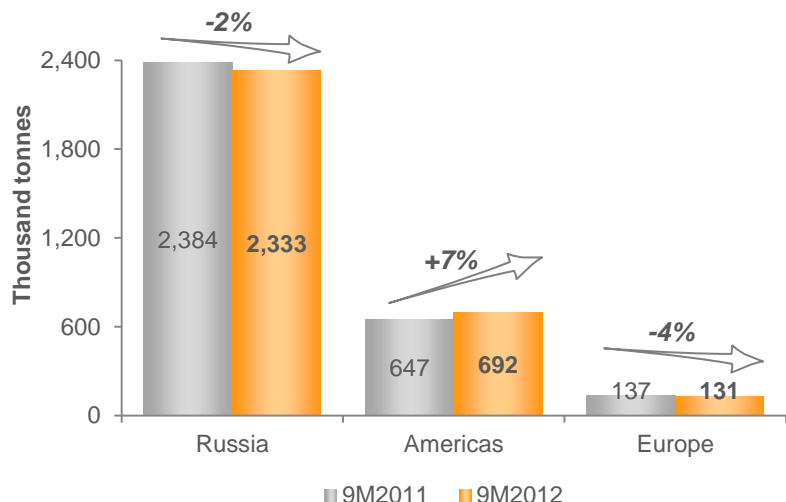
3Q 2012 Sales by Group of Product



- Seamless volumes decreased QoQ mainly due to lower sales in the Russian division as a result of major repairs at several Russian plants
- Welded volumes slightly increased QoQ due to stronger sales of welded pipe in the Russian division
- Total OCTG sales decreased QoQ but were compensated by higher line pipe volumes in the Russian and American divisions that were up 19% QoQ for the whole Company

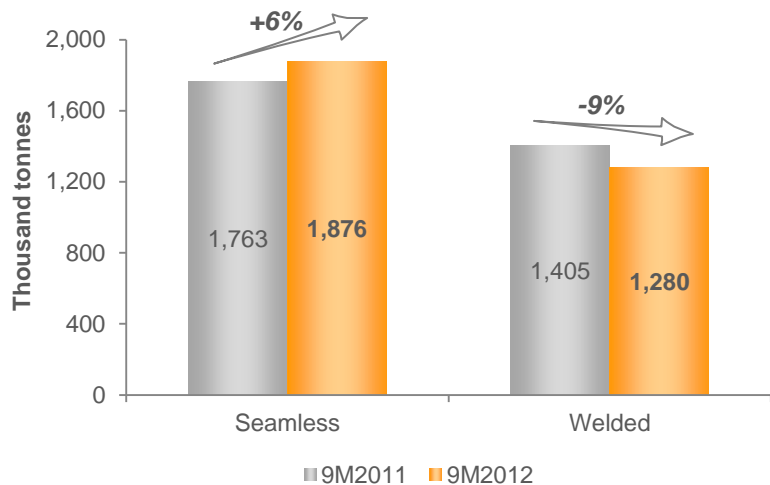
9M 2012 Sales by Division and Group of Product

9M 2012 Sales by Division



- Russian division sales slightly decreased YoY mainly due to lower welded pipe volumes as a result of a decline in LD pipe sales
- American division sales increased YoY mainly due to higher volumes in welded pipe
- European division sales decrease YoY reflecting the current weak market environment in the European Union

9M 2012 Sales by Group of Product



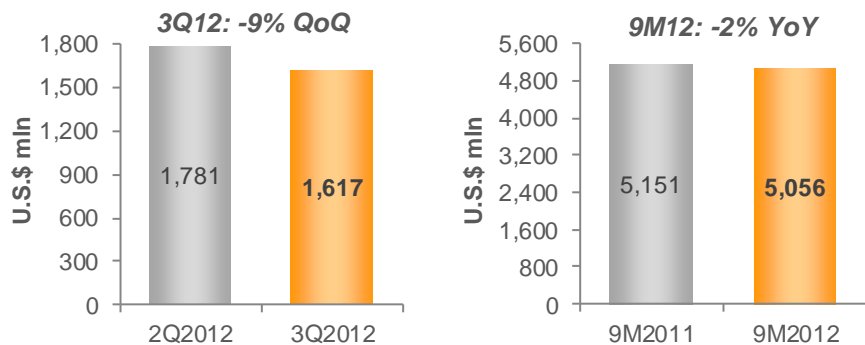
- Seamless volumes increased YoY mainly due to higher seamless sales in the Russian division supported by robust drilling activity and sustained high oil prices
- Welded volumes decreased YoY mostly due to lower sales of welded pipe in Russia as a result of a decline in LD pipe sales as some major pipeline projects were completed or postponed
- Total OCTG sales increased by 16% YoY supported by the robust drilling activity of Russian oil companies on the back of sustained high oil prices

Source: TMK data

3Q 2012 and 9M 2012 Summary Financial Highlights

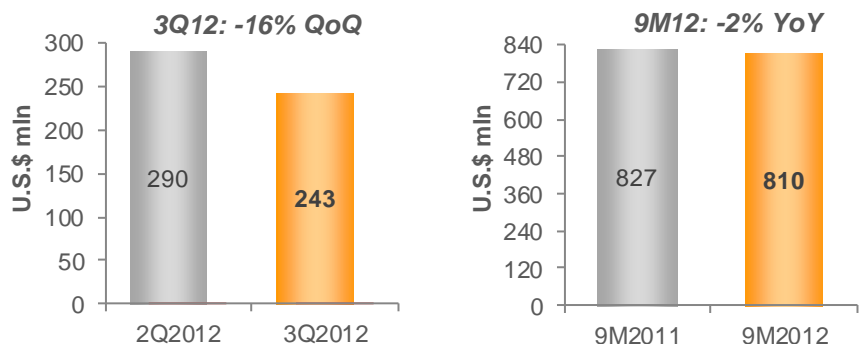


Revenue



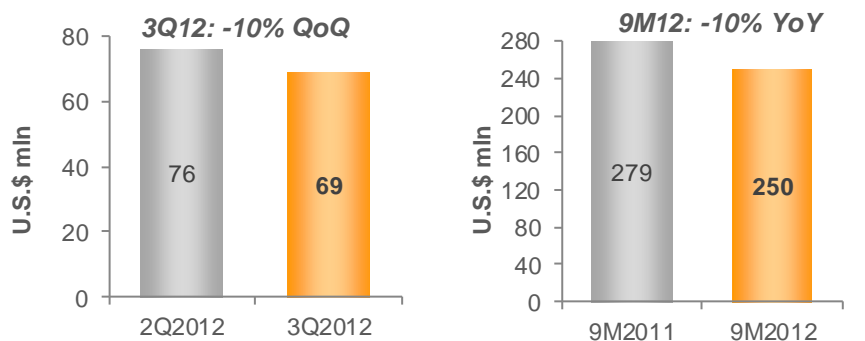
- 3Q 2012 revenue decreased QoQ primarily due to lower seamless volumes, unfavorable changes in pricing and sales mix and the impact of currency translation
- 9M 2012 revenue decreased YoY mainly due to the negative impact of currency translation

Adjusted EBITDA⁽¹⁾



- 3Q 2012 EBITDA decreased QoQ due to lower sales and weaker product mix globally as well as lower margins in the American and European divisions. Adjusted EBITDA Margin was 15%
- 9M 2012 EBITDA decreased YoY due to the negative effect of currency translation and higher operating expenses which were partially offset by higher volumes and better pricing of seamless pipe. Adjusted EBITDA Margin was 16% year-to-date

Net Income



- 3Q 2012 net income decreased QoQ primarily due to lower gross profit
- 9M 2012 net income declined YoY primarily as a result of significant gain on changes in fair value of the derivative instrument

(1) Adjusted EBITDA is calculated as profit/loss before tax plus finance costs minus finance income plus depreciation and amortization adjusted for non-cash items

Note:

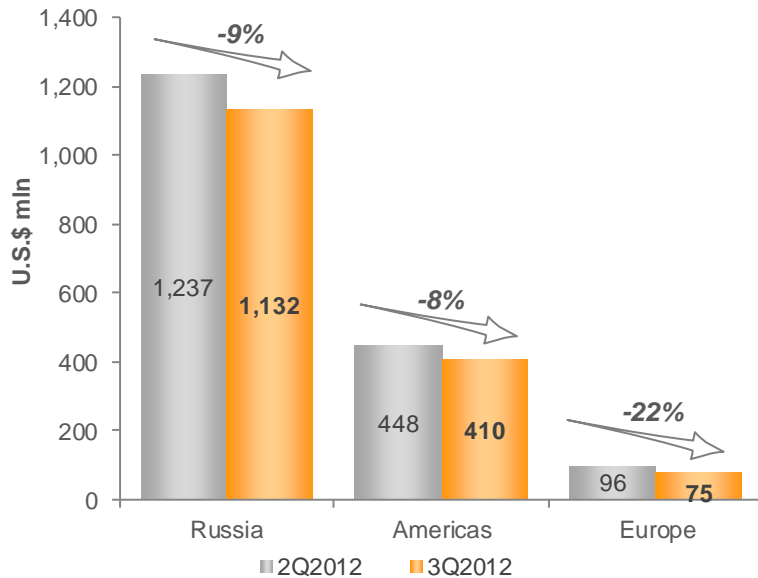
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Source: TMK Consolidated IFRS Financial Statements, TMK data

3Q 2012 Revenue by Division

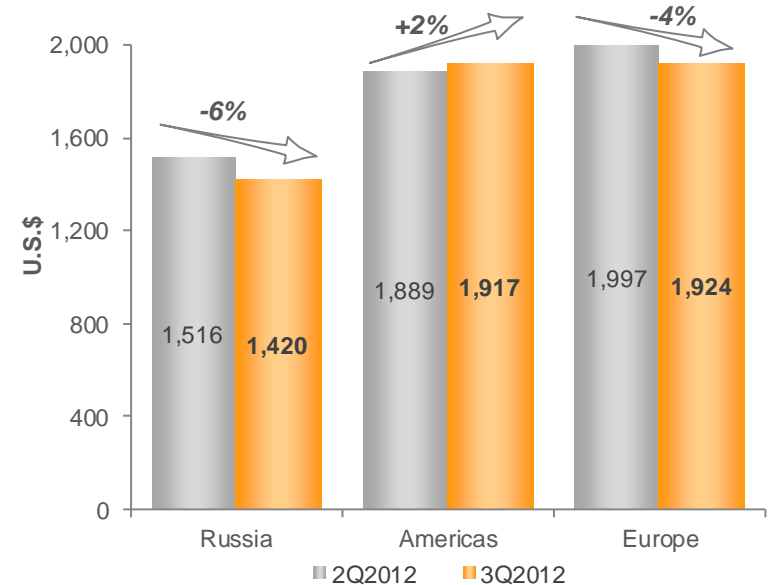


3Q 2012 Revenue



- Russian division decreased mainly due to lower seamless volumes as a result of major repairs at several Russian plants and negative effect of currency translation
- American division decreased primarily due to lower welded volumes and, to a lesser extent, price reductions across the welded pipe business
- European revenue declined due to lower sales and pricing of seamless pipe

3Q 2012 Revenue per Tonne*



* Revenue per tonne for all three divisions include other revenue

- Russian division revenue per tonne decreased due to the negative impact of sales mix
- American division revenue per tonne increased based on improving mix, which offset the impact of price reductions in welded business
- European division revenue per tonne decreased due to lower pricing of seamless pipe

Source: Consolidated IFRS Financial Statements, TMK data

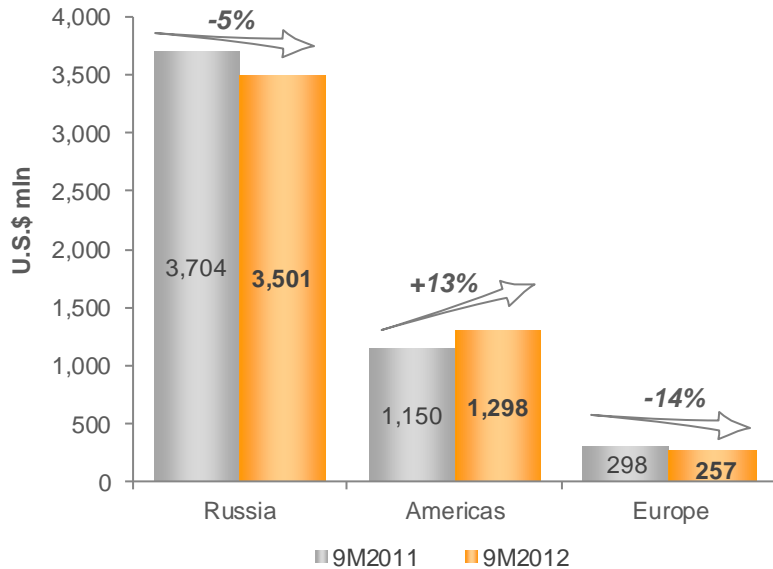
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9M 2012 Revenue by Division



9M 2012 Revenue



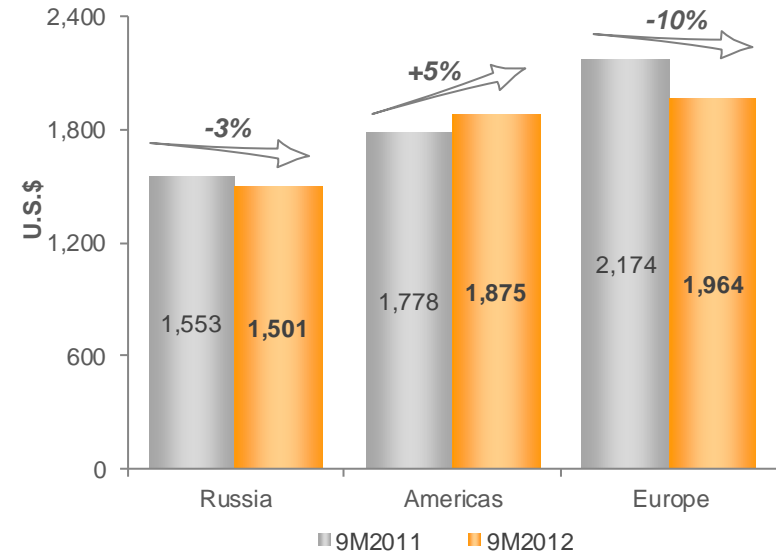
- Russian division decreased due to the negative effect of currency translation and a decline in welded pipe volumes as a result of a decrease in LD pipe sales
- American division increased mainly due to higher volumes in welded pipes, as well as better pricing in both the welded and seamless businesses
- European division decreased due to the negative effect of currency translation while seamless industrial sales remained almost flat

Source: Consolidated IFRS Financial Statements, TMK data

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9M 2012 Revenue per Tonne*



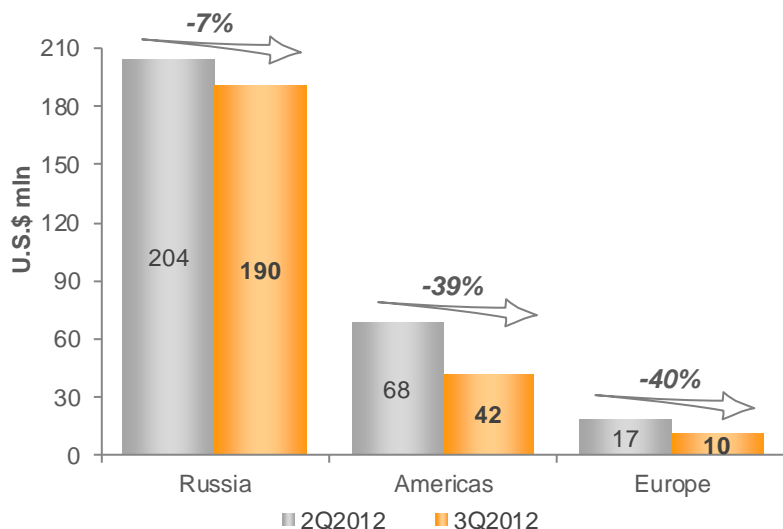
* Revenue per tonne for all three divisions include other revenue

- Russian division revenue per tonne decreased mainly due to the negative effect of currency translation and lower share of LD pipe in the Company's sales
- American division revenue per tonne increased primarily due to better pricing
- European division revenue per tonne decreased due to the negative effect of currency translation

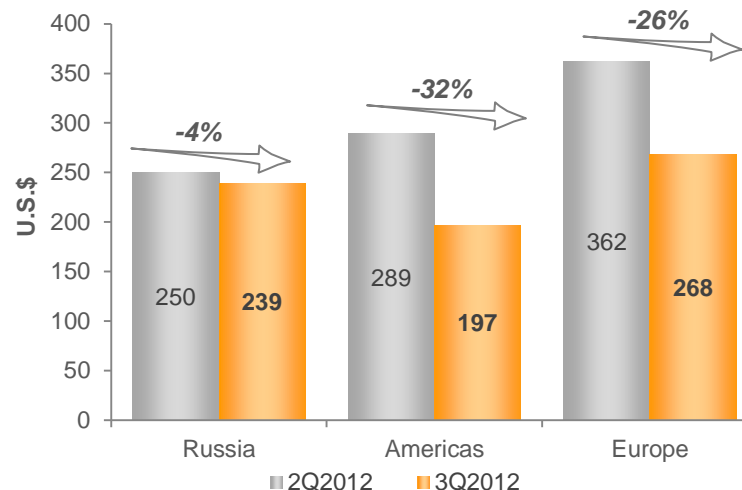
3Q 2012 Adjusted EBITDA by Division vs. Prior Quarter



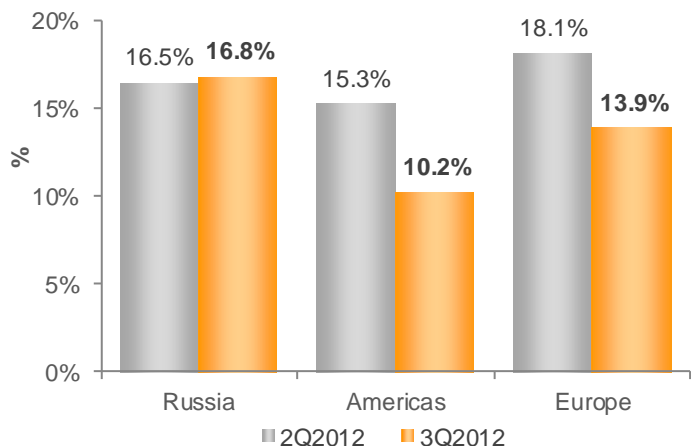
3Q 2012 Adjusted EBITDA



3Q 2012 Adjusted EBITDA per Tonne



3Q 2012 Adjusted EBITDA Margin



- Russian division EBITDA decreased following the decline in revenue, however was partially compensated by favorable effect from lower purchase prices for raw materials
- American division EBITDA decreased mainly as a result of unfavorable sales mix, lower pricing and major repairs at several pipe mills
- European division EBITDA decreased as a result of weak sales and pricing due to challenging macroeconomic conditions that persist in the European Union

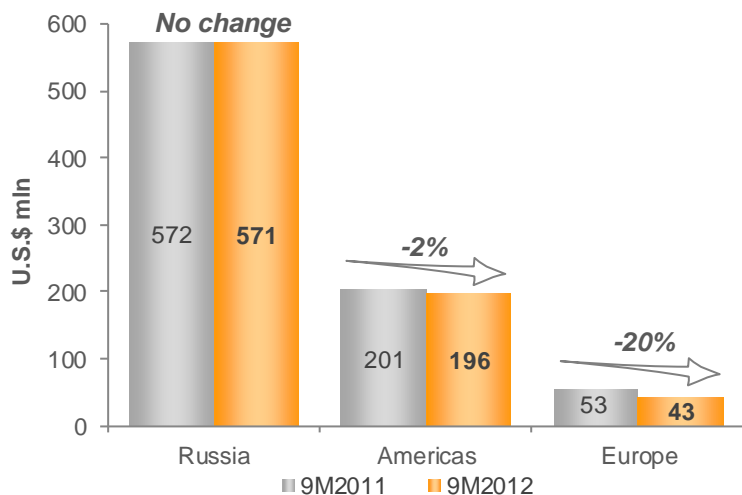
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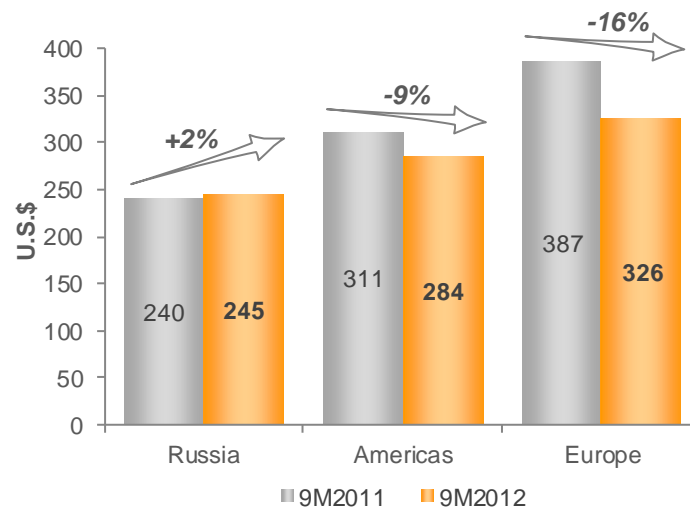
Source: TMK Consolidated IFRS Financial Statements, TMK data

9M 2012 Adjusted EBITDA by Division vs. Prior Year

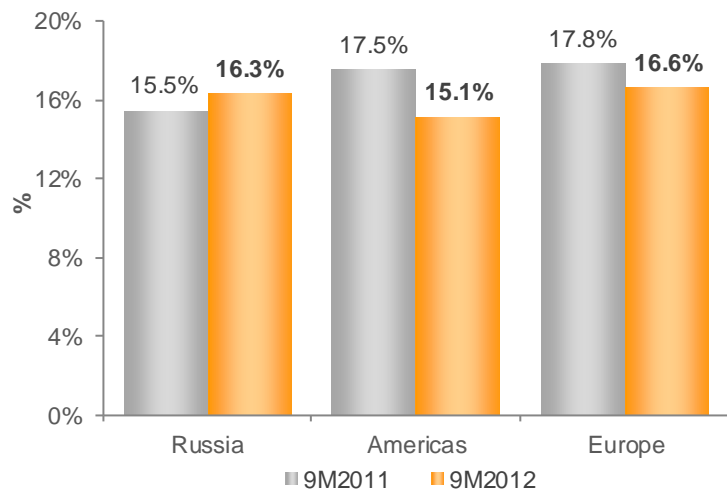
9M 2012 Adjusted EBITDA



9M 2012 Adjusted EBITDA per Tonne



9M 2012 Adjusted EBITDA Margin



- Russian division EBITDA remained flat as the negative impact from currency translation was compensated by improved margins
- American division EBITDA was fairly stable, declining only slightly as higher revenues were offset by negative mix, higher cost for scrap and operational downtime
- European division EBITDA decrease due to the lower revenues resulted mostly from to the unfavorable currency translation effect

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Source: TMK Consolidated IFRS Financial Statements, TMK data

Seamless – Core to Profitability



	U.S.\$ mln <i>(unless stated otherwise)</i>	3Q 2012	QoQ, %	9M 2012	YoY, %
SEAMLESS	Volumes- Pipes, kt	604	-9%	1,876	+6%
	Net Sales	993	-8%	3,136	+7%
	Gross Profit	240	-16%	841	+3%
	Margin, %	24%		27%	
	Avg Net Sales / Tonne (U.S.\$)	1,643	+1%	1,672	<i>no change</i>
	Avg Gross Profit / Tonne (U.S.\$)	397	-8%	448	-3%
WELDED	Volumes- Pipes, kt	446	+2%	1,280	-9%
	Net Sales	547	-11%	1,689	-14%
	Gross Profit	101	+14%	271	-6%
	Margin, %	19%		16%	
	Avg Net Sales / Tonne (U.S.\$)	1,226	-13%	1,319	-6%
	Avg Gross Profit / Tonne (U.S.\$)	227	+12%	212	+3%

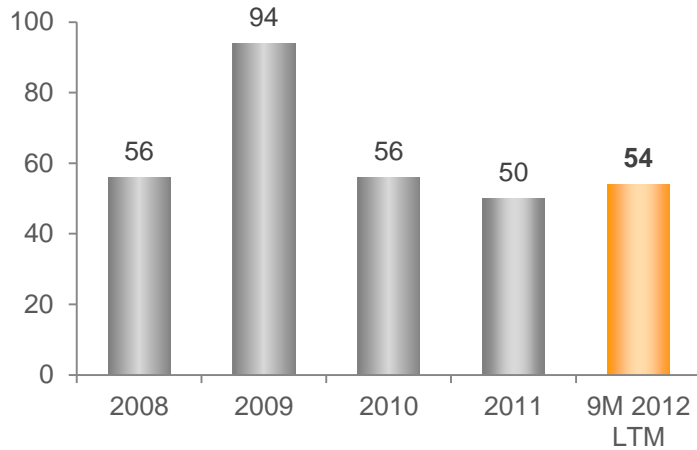
- Sales of seamless pipes generated **61%** of total Revenue in 3Q 2012 and **62%** of total Revenue in 9M 2012
- Gross Profit from seamless pipe sales represented **68%** of 3Q 2012 total Gross Profit and **73%** of 9M 2012 total Gross Profit
- **24% Gross Profit Margin** from seamless pipes sales in 3Q 2012 and **27% Gross Profit Margin** in 9M 2012
- Even with QoQ declining volumes in seamless pipe, and increasing volumes in welded pipe, seamless pipe continues to be core of the Company's profitability

Source: Consolidated IFRS Financial Statements, TMK data

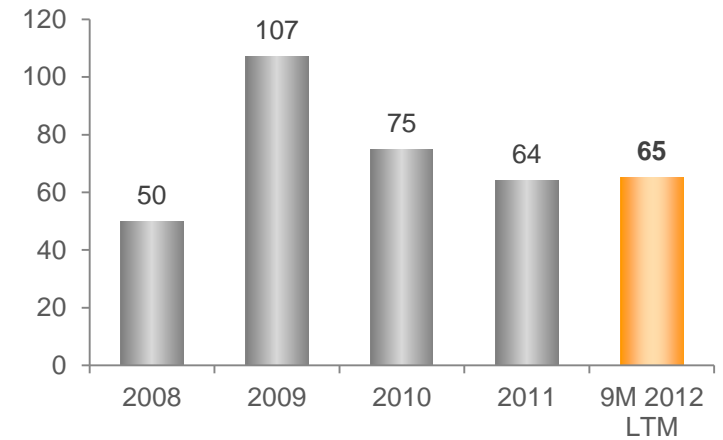
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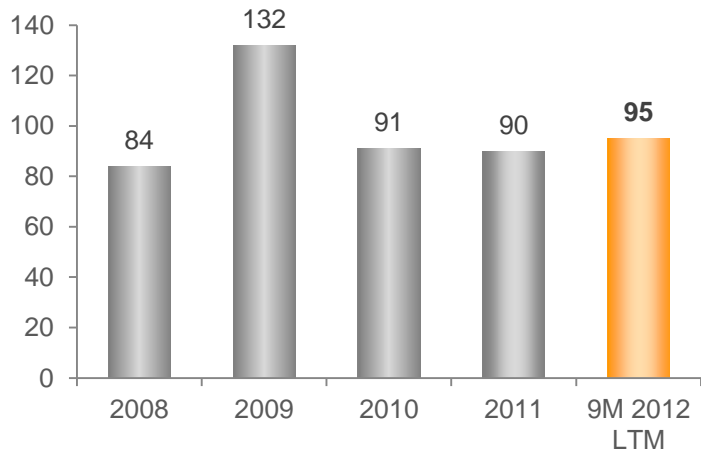
Accounts Receivable (days)



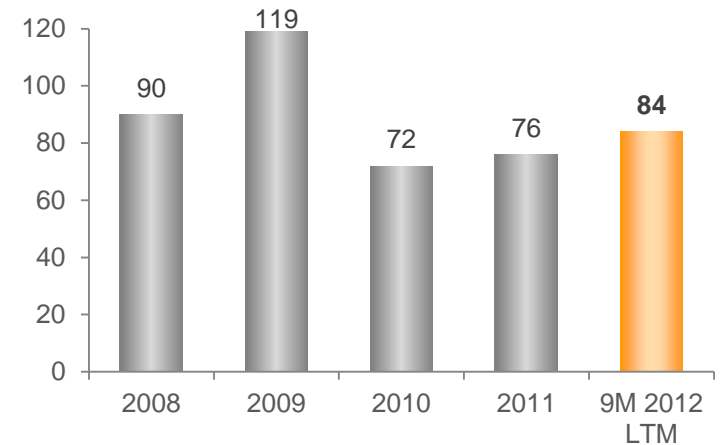
Accounts Payable (days)



Inventories (days)



Cash Conversion Cycle (days)

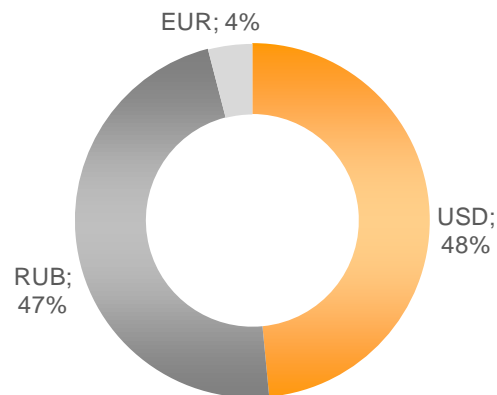


Source: TMK data

TMK Continues to Optimize its Capital Structure and Develop a Flexible, Cost-effective Debt Portfolio

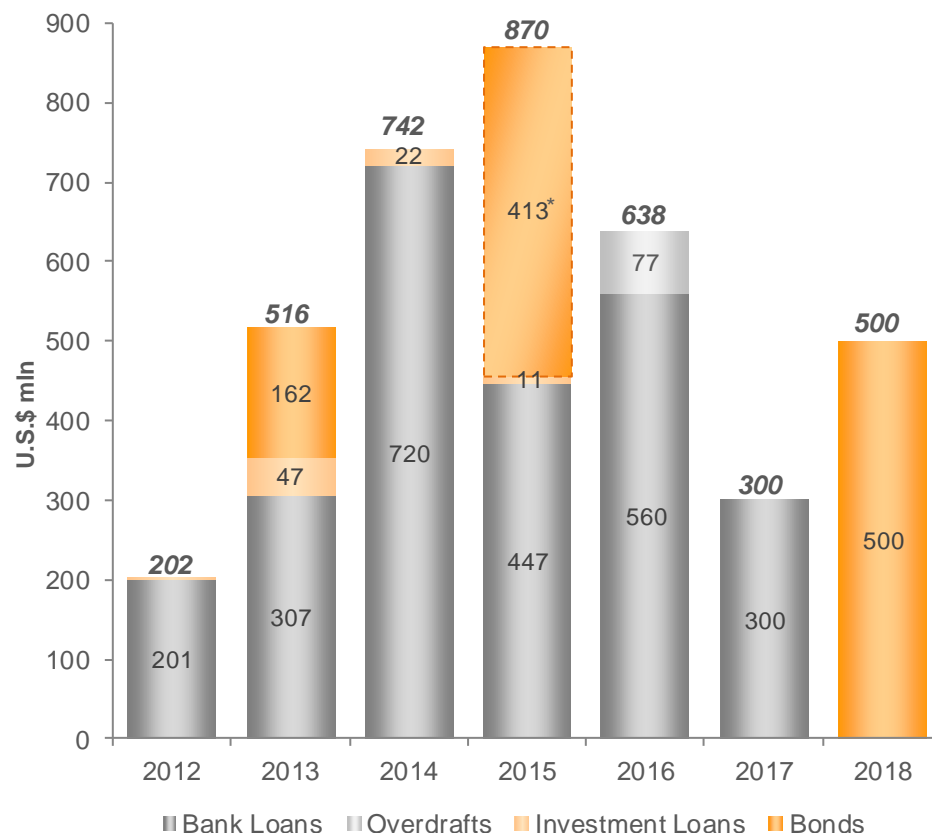
- As of September 30, 2012, total financial debt accounted for U.S.\$3,816 mln
- 76% of total financial debt is long-term
- 29% of Total Debt is represented by Eurobonds, convertible bonds and rouble bonds, 71% - bank loans
- Weighted average nominal interest rate totalled 7.00%, up by 13 b.p. from June 30, 2012
- As of September 30, 2012, borrowings with a floating interest rate represented U.S.\$618 million, or 16%, borrowings with a fixed interest rate – U.S.\$3,146 million, or 84%
- As of September 30, 2012, unutilized borrowing facilities amounted to U.S.\$1,273 million
- Credit Ratings: S&P – B+, Stable; Moody’s – B1, Stable

Debt Structure by Currency as of September 30, 2012



Note: Numbers represent TMK management accounts and differ from IFRS figures for the amounts of accrued interest, debt issue cost and liabilities under finance lease, and other items not related to the principal amount of debt

Maturity Profile as September 30, 2012



* Convertible bond with a conversion price of \$22.308/GDR and a put option due on 11 February 2013. In IFRS accounts convertible bond liability was included in short-term loans and borrowings as of September 30, 2012.

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

Russia

Construction of EAF at Tagmet

Total Investment: **U.S.\$ 260 mln**
Remaining Investment: **U.S.\$ 97 mln**
Project Launch: **2013**
Capacity Increase: **+ 950 k tonnes**



Construction of FQM Mill at Seversky Pipe Plant

Total Investment: **U.S.\$ 436 mln**
Remaining Investment: **U.S.\$ 208 mln**
Project Launch : **2013**
Capacity Increase: **+ 600 k tonnes, including:**
- **Line Pipe +280 k tonnes**
- **OCTG +320 k tonnes**



USA

R&D Center in Houston

Investment: **U.S.\$26 mln**
Timing: **Building Completed in 2011**
Final test equipment installed in July 2012

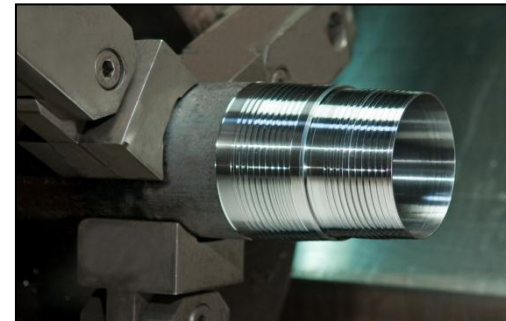


The in-house R&D Center will allow for significant strengthening of the Company's research potential, further improvement of the product mix and quality as well as performing much of the connections testing and metallurgical inspection to ensure TMK pipes meet the highest quality standards

Threading and Heat Treatment

Investment: **U.S.\$45 mln**
Period: **2012-2017**
Additional Capacity: **230 thousand tons**

Investment: **U.S.\$160 mln**
Period: **2012-2017**
Additional Capacity: **280 thousand tons**



Appendix – Summary Financial Accounts

TMK Income Statement

U.S.\$ mln	2011	2010	2009	2008	2007
Revenue	6,754	5,579	3,461	5,690	4,179
Cost of Sales	(5,307)	(4,285)	(2,905)	(4,252)	(2,891)
Gross Profit	1,446	1,293	556	1,438	1,288
Selling and Distribution Expenses	(411)	(403)	(313)	(344)	(238)
General and Administrative Expenses	(283)	(232)	(204)	(268)	(218)
Advertising and Promotion Expenses	(9)	(11)	(5)	(10)	(5)
Research and Development Expenses	(19)	(13)	(10)	(15)	(10)
Other Operating Expenses, Net	(40)	(34)	(17)	(45)	(51)
Foreign Exchange Gain / (Loss), Net	(1)	10	14	(100)	20
Finance Costs, Net	(271)	(412)	(404)	(263)	(90)
Other	132	(12)	(46)	(85)	3
Income / (Loss) before Tax	544	185	(427)	308	699
Income Tax (Expense) / Benefit	(159)	(81)	103	(110)	(192)
Net Income / (Loss)	385	104	(324)	198	506

Source: Consolidated IFRS Financial Statements

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TMK Statement of Financial Position

U.S.\$ mln	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
ASSETS					
Cash and Bank Deposits	231	158	244	143	89
Accounts Receivable	772	720	580	758	541
Inventories	1,418	1,208	926	1,176	782
Prepayments	200	172	223	213	238
Other Financial Assets	4	4	4	4	-
Total Current Assets	2,625	2,262	1,977	2,294	1,651
Assets Classified as Held for Sale	-	8	-	-	-
Total Non-current Assets	4,507	4,592	4,704	4,774	3,025
Total Assets	7,132	6,862	6,681	7,068	4,676
LIABILITIES AND EQUITY					
Accounts Payable	1,053	878	1,057	808	400
ST Debt	599	702	1,537	2,216	1,033
Dividends	-	-	-	-	129
Other Liabilities	53	94	28	716	156
Total Current Liabilities	1,705	1,674	2,622	3,740	1,718
LT Debt	3,188	3,170	2,214	994	506
Deferred Tax Liability	305	300	272	371	279
Other Liabilities	110	110	83	52	67
Total Non-current Liabilities	3,602	3,580	2,569	1,417	852
Equity	1,825	1,607	1,490	1,910	2,107
<i>Including Non-Controlling Interest</i>	92	95	74	97	104
Total Liabilities and Equity	7,132	6,862	6,681	7,068	4,676

Source: Consolidated IFRS Financial Statements

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TMK Cash Flow

U.S.\$ mln	2011	2010	2009	2008	2007
Profit / (Loss) before Income Tax	544	185	(427)	308	699
<i>Adjustments for:</i>					
Depreciation and Amortisation	336	301	313	248	140
Net Interest Expense	271	412	406	263	90
Others	(101)	44	36	228	(9)
Working Capital Changes	(156)	(527)	558	(81)	(386)
Cash Generated from Operations	894	415	886	966	534
Income Tax Paid	(107)	(29)	(33)	(227)	(213)
Net Cash from Operating Activities	787	386	852	740	321
Capex	(402)	(314)	(395)	(840)	(662)
Acquisitions	-	-	(510)	(1,185)	(72)
Others	25	43	14	1	165
Net Cash Used in Investing Activities	(377)	(271)	(891)	(2,024)	(569)
Net Change in Borrowings	4	103	582	1,780	441
Others	(339)	(289)	(447)	(443)	(263)
Net Cash Used in Financing Activities	(335)	(186)	135	1,337	178
Net Foreign Exchange Difference	(2)	(15)	4	2	14
Cash and Cash Equivalents at January 1	158	244	143	89	144
Cash and Cash Equivalents at YE	231	158	244	143	89

Source: Consolidated IFRS Financial Statements

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Thank You

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