

TMK

DOE Quadrennial Energy Review

21st of July 2014

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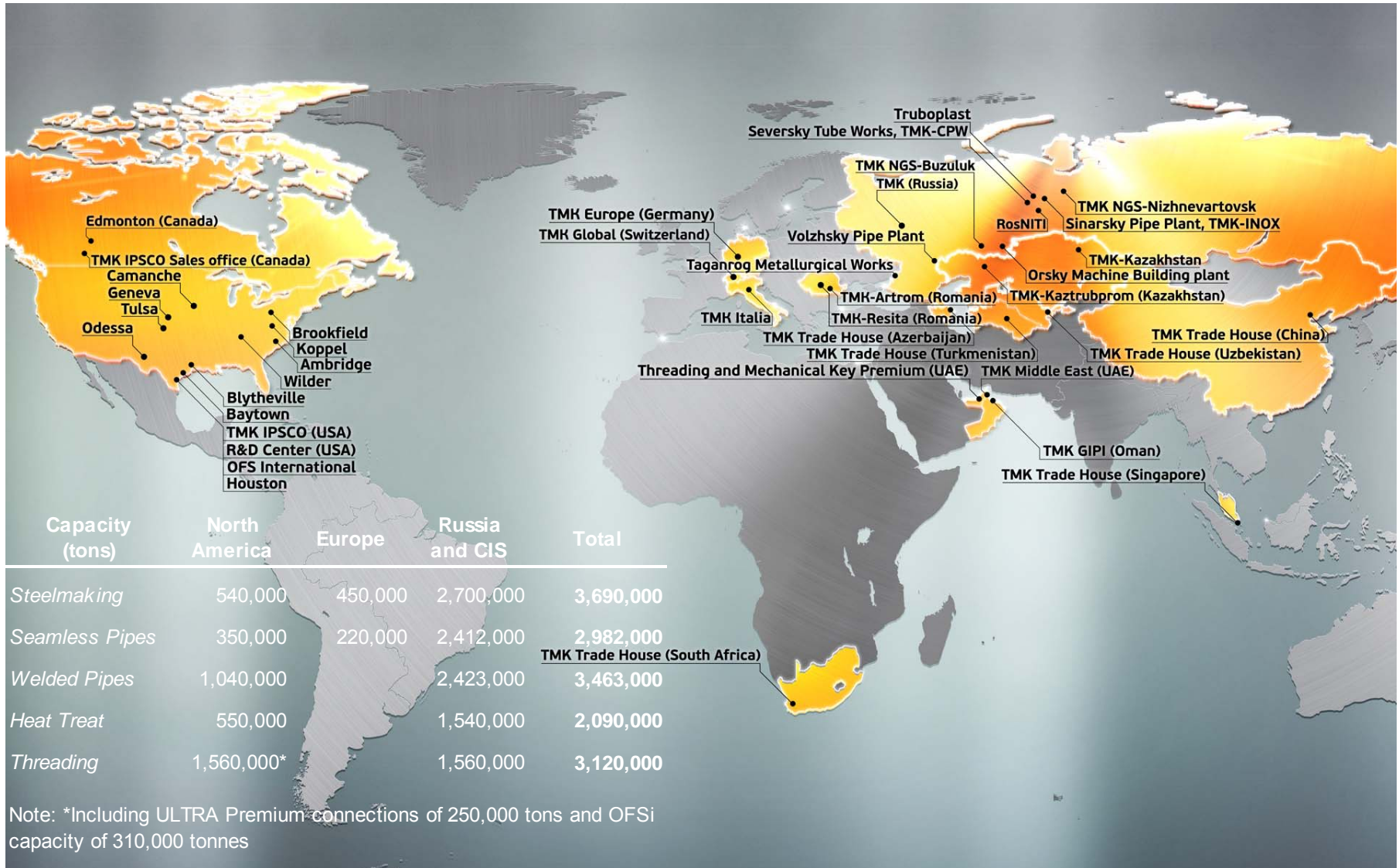
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TMK– Global Supplier of Full Range of Pipes for Oil and Gas Industry



Source: TMK data



Global Market Leader

- One of the largest tubular capacities
- High exposure to the oil & gas industry: approximately 75% of 2012 shipments went to the oil & gas sector
- 10% global seamless OCTG

Leading Position in Russia and the U.S.

- Russia: 52% seamless pipe market, 62% seamless OCTG market, 21% LD pipe market in 2012
- Strategic partnerships and long-term contracts with Russian and American oil & gas majors
- One of the leading suppliers to shale oil & gas in the U.S. (over 16% OCTG market)

Growth Potential and Deleveraging

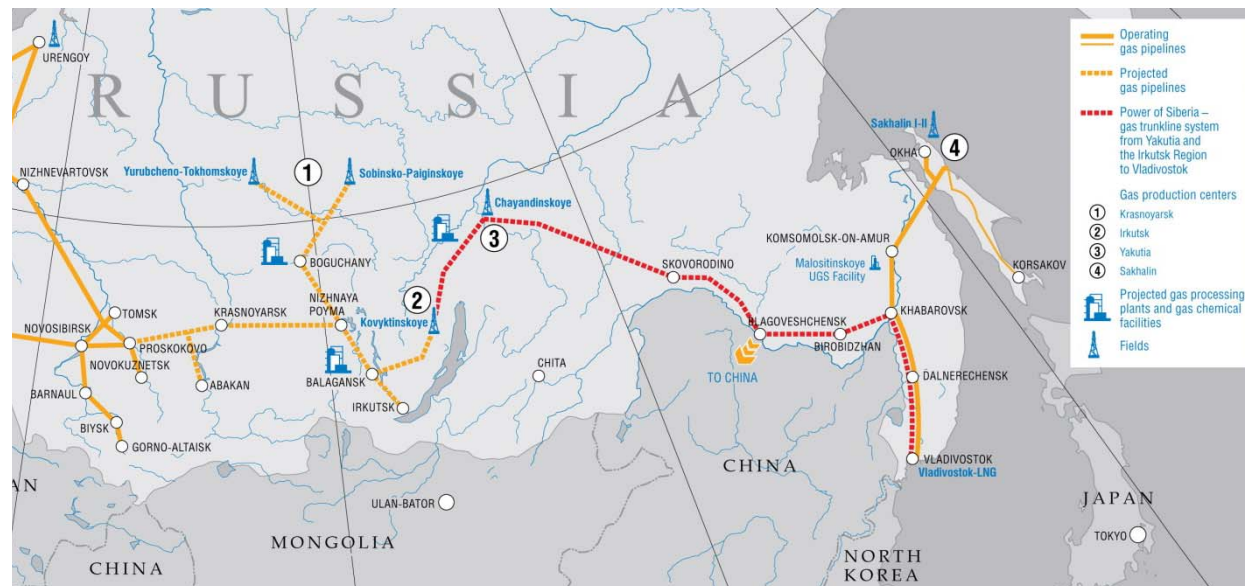
- Strategic Investment Programme (2004-14) aimed at 48% capacity increase is nearly completed
- Ability to efficiently integrate acquired businesses and realise synergies
- The effect from the recent investment projects to be realized in 2012-2015, which will facilitate deleveraging

Key Performance Figures

	2010	2011	2012	2013
Revenue, US\$ mln	5,579	6,754	6,688	6,432
EBITDA, US\$ mln	921	1,047	1,028	952

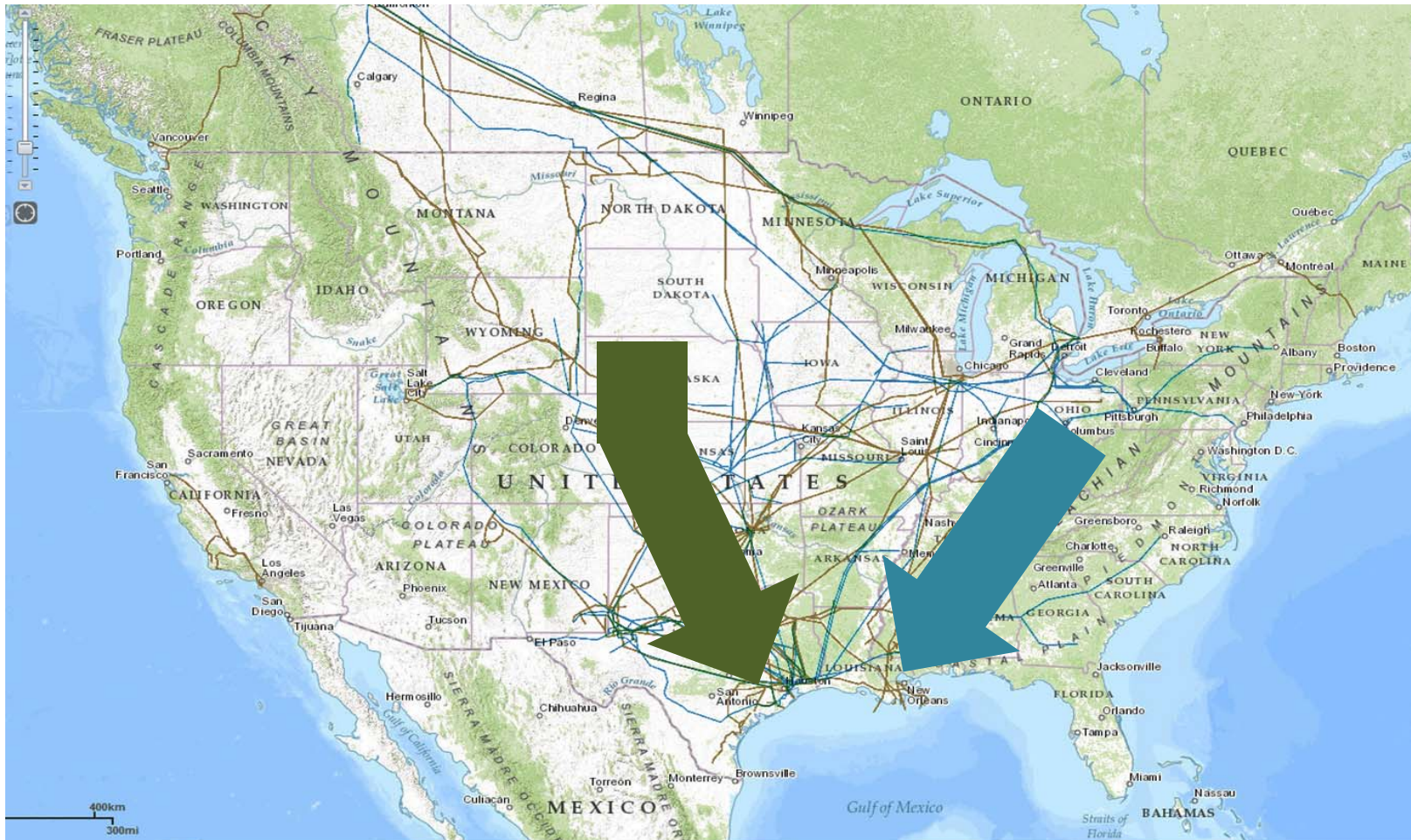
Gazprom's Eastern Program Creates Additional Demands


- On May 21, 2014 Gazprom and CNPC signed the contract for the Russian pipeline gas supply to China. The 30-year contract stipulates gas supplies in the amount of 38 billion cubic meters of gas per year
- In 2015, Gazprom will start pre-developing the gas deposit of the Chayandinskoye field and constructing the first string of the Power of Siberia gas transmission system
- In late 2018, it is planned to launch gas production from the Chayandinskoye field
- Power of Siberia project details: length – around 4,000 kilometers, diameter – 1,420 millimeters, working pressure – 9,8 Mpa, annual throughput – 61 billion cubic meters
- Based on TMK's preliminary estimates:
 - Demand for LDP from Power of Siberia project could amount to 2.6 mln tonnes;
 - Consumption of OCTG pipe (including premium connections) from Chayandinskoye and Kovyktinskoye fields could be up to 1 mln tonnes till 2020.




Source: Gazprom

U.S. Energy Mapping System: Crude and NGL Pipelines



Crude pipelines 

Gas pipelines 

Source: EIA



- The US overtook Russia in gas production in 2009 for the first time, and again in 2011.
- “No more oil onshore”? Russia leads the world in oil production with almost 11 million bbls/day, Saudi Arabia is second with 10.5 million, and the USA is third with 8.5 million bbls/day. We will reach 10 million bbls/day before 2020.
- The US is importing 60% of its daily consumption of 19 million bbls. By the end of 2014, this will be 50%. Imports will go to zero by 2030.
- The US is effectively exporting 3.6 million bbls/day in the form of oil and gas products already...
- ...and, beginning in 2015, will export LNG. By 2020, this export will amount to 11 bcf/day (15% of all gas production), providing no new licenses are granted; more if yes.



- Near term continued pricing and rig count softness BUT shift to unconventional drilling drives demand for seamless and premium pipe products.
- Long term positive fundamentals for country with abundant natural gas – drop in gas prices led to increase in consumption:
 - **For feedstock** in petrochemical plants, LNG processing and exports.
 - **For electricity.** . . Coal-fired electricity has dropped from 52% to 37.6% since 2000.
 - **For transportation.** . . California, New York, Utah, and Oklahoma are leading the way in natural gas vehicle infrastructure.
 - **For LNG exports.** . . 36 proposed LNG export projects total over 50% of 2011 U.S. dry gas production. Licenses for over 10 bcf/day already granted to seven projects.
- Growing demand for natural gas should support and further increase consumption of pipe and premium connections.

Fall and Rise of US Natural Gas Prices

Henry Hub Natural Gas Spot Price

Dollars per Million Btu



Source: EIA

- This rise is more than just reinjection due to cold weather
 - Natural gas spurring 83 major industrial projects 2012-2019; 90-100 billion investment required*
 - 49 New Projects: 24 Petrochemical (incl. 10 crackers), 12 Steel, 8 Fertilizer, 2 Gas-to-liquids, 2 Paper and pulp*;
 - 25 Expansions: 15 Petrochemical, 8 Fertilizer, 2 Steel *;
 - 9 Restarts: 4 Fertilizer, 5 Petrochemical*
- This demand-driven rise is the ground-swell prior to the tsunami of LNG Exports

*Source: Energy Ventures Analysis, Dec. 2013; NGSA

Application received by DOE/FE to Export Domestically Produced LNG from the Lower 48 States (as of April 18, 2014)



All Changes since March 24, 2014 Update are in red.

Company	Quantity	FTA Applications (Docket Number)	Non-FTA Applications (Docket Number)
Sabine Pass Liquefaction, LLC	2.2 billion cubic feet per day (Bcf/d)	Approved (10-85-LNG)	Approved (10-111-LNG)
Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC	1.4 Bcf/d	Approved (10-160-LNG)	Approved (10-161-LNG)
Lake Charles Exports, LLC	2.0 Bcf/d	Approved (11-59-LNG)	Approved (11-59-LNG)
Carib Energy (USA) LLC	0.03 Bcf/d: FTA 0.06 Bcf/d: non-FTA	Approved (11-71-LNG)	Under DOE Review (11-141-LNG)
Dominion Cove Point LNG, LP	1.0 Bcf/d: FTA 0.77 Bcf/d: non-FTA	Approved (11-115-LNG)	Approved (11-128-LNG)
Jordan Cove Energy Project, L.P.	1.2 Bcf/d: FTA 0.8 Bcf/d: non-FTA	Approved (11-127-LNG)	Approved (12-32-LNG)
Cameron LNG, LLC	1.7 Bcf/d	Approved (11-145-LNG)	Approved (11-162-LNG)
Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC	1.4 Bcf/d: FTA 0.4 Bcf/d: non-FTA	Approved (12-06-LNG)	Approved (11-161-LNG)
Gulf Coast LNG Export, LLC	2.8 Bcf/d	Approved (12-05-LNG)	Under DOE Review (12-05-LNG)
Gulf LNG Liquefaction Company, LLC	1.5 Bcf/d	Approved (12-47-LNG)	Under DOE Review (12-101-LNG)
LNG Development Company, LLC (d/b/a Oregon LNG)	1.25 Bcf/d	Approved (12-48-LNG)	Under DOE Review (12-77-LNG)
SB Power Solutions Inc.	0.07 Bcf/d	Approved (12-50-LNG)	n/a
Southern LNG Company, L.L.C.	0.5 Bcf/d	Approved (12-54-LNG)	Under DOE Review (12-100-LNG)
Excelerate Liquefaction Solutions I, LLC	1.38 Bcf/d	Approved (12-61-LNG)	Under DOE Review (12-146-LNG)
Golden Pass Products LLC	2.6 Bcf/d	Approved (12-88-LNG)	Under DOE Review (12-156-LNG)
Cheniere Marketing, LLC	2.1 Bcf/d	Approved (12-99-LNG)	Under DOE Review (12-97-LNG)
Main Pass Energy Hub, LLC	3.22 Bcf/d	Approved (12-114-LNG)	n/a
CE FLNG, LLC	1.07 Bcf/d	Approved (12-123-LNG)	Under DOE Review (12-123-LNG)
Waller LNG Services, LLC	0.16 Bcf/d: FTA 0.19 Bcf/d: non-FTA	Approved (12-152-LNG)	Under DOE Review (13-153-LNG)



Source: USA Energy Department

Application received by DOE/FE to Export Domestically Produced LNG from the Lower 48 States (as of April 18, 2014)



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Pangea LNG (North America) Holdings, LLC	1.09 Bcf/d	Approved (12-174-LNG)	Under DOE Review (12-184-LNG)
Magnolia LNG, LLC	0.54 Bcf/d	Approved (12-183-LNG)	n/a
Trunkline LNG Export, LLC	2.0 Bcf/d	Approved (13-04-LNG)	Under DOE Review (13-04-LNG)
Gasfin Development USA, LLC	0.2 Bcf/d	Approved (13-06-LNG)	Under DOE Review (13-161-LNG)
Freeport-McMoRan Energy LLC	3.22 Bcf/d	Approved (13-26-LNG)	Under DOE Review (13-26-LNG)
Sabine Pass Liquefaction, LLC	0.28 Bcf/d	Approved (13-30-LNG)	Under DOE Review (13-30-LNG)
Sabine Pass Liquefaction, LLC	0.24 Bcf/d	Approved (13-42-LNG)	Under DOE Review (13-42-LNG)
Venture Global LNG, LLC	0.67 Bcf/d	Approved (13-69-LNG)	Under DOE Review (13-69-LNG)
Advanced Energy Solutions, L.L.C.	0.02 Bcf/d	Approved (13-104-LNG)	n/a
Argent Marine Management, Inc.	0.003 Bcf/d	Approved (13-105-LNG)	n/a
Eos LNG LLC	1.6 Bcf/d	Approved (13-115-LNG)	Under DOE Review (13-116-LNG)
Barca LNG LLC	1.6 Bcf/d	Approved (13-117-LNG)	Under DOE Review (13-118-LNG)
Sabine Pass Liquefaction, LLC	0.86 Bcf/d	Approved (13-121-LNG)	Under DOE Review (13-121-LNG)
Delfin LNG LLC	1.8 Bcf/d	Approved (13-129-LNG)	Under DOE Review (13-147-LNG)
Magnolia LNG, LLC	0.54 Bcf/d: FTA 1.08 Bcf/d: Non-FTA	Approved (13-131-LNG)	Under DOE Review (13-132-LNG)
Annova LNG LLC	0.94 Bcf/d	Approved (13-140-LNG)	n/a
Texas LNG LLC	0.27 Bcf/d	Pending Approval (13-160-LNG)	Under DOE Review (13-160-LNG)
Louisiana LNG Energy LLC	0.28 Bcf/d	Pending Approval (14-19-LNG)	Under DOE Review (14-29-LNG)
Clean Energy	0.14 Bcf/d	Pending Approval (14-54-LNG)	n/a
Air Flow North America Corp.	0.001 Bcf/d	Pending Approval (14-53-LNG)	n/a
Alturas LLC	0.2 Bcf/d	Pending Approval (14-55-LNG)	n/a
Strom Inc.	0.02 Bcf/d	Pending Approval (14-56-LNG)	n/a
Strom Inc.	0.02 Bcf/d	n/a	Under DOE Review (14-57-LNG)
Strom Inc.	0.02 Bcf/d	n/a	Under DOE Review (14-58-LNG)
Total of all Applications Received		38.87 Bcf/d	35.93 Bcf/d

Source: USA Energy Department

