



# TMK IR PRESENTATION



April 2021



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# Company Overview

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



## The largest steel pipe producer globally



### North America

- 01 TMK Industrial Solutions
- 02 TMK Overseas

### Europe

- 03 TMK–ARTROM Headquarters (TMK European division)
- 04 TMK–ARTROM
- 05 TMK–RESITA
- 06 MSA
- 07 MSA (Czech Republic)
- 08 TMK Europe (Germany)
- 09 TMK Global (Switzerland)
- 10 TMK Italia (Italy)

### Russia and the CIS

- 11 TMK Headquarters
- 12 META Headquarters
- 13 TAGMET
- 14 Volzhsky Pipe Plant
- 15 Seversky Pipe Plant, TMK–CPW
- 16 Sinarsky Pipe Plant, TMK–INOX
- 17 Orsky Machine Building Plant
- 18 TMK–Kazrubprom
- 19 Yartsevo Metallurgical Plant
- 20 Tubes 2000 (Rakitnoe)
- 21 Tubes 2000 (Gus–Khrustalny)

### Middle East, Asia and Africa

- 22 Pervouralsk Pipe Plant, SOT
- 23 Chelyabinsk Pipe Plant, ETERNO
- 24 Trade House TMK
- 25 Representative Office of TMK in Turkmenistan
- 26 Representative Office of TMK in Yuzhno–Sakhalinsk
- 27 TRUBOPLAST
- 28 TMK NGS–Nizhnevartovsk
- 29 TMK NGS–Buzuluk
- 30 Uralchemet
- 31 ChelPipe, Pipe Service RusNITI
- 32 R&D facility in Skolkovo
- 33 TD URALTRUBOSTAL Headquarters
- 35 TMK Middle East, UAE
- 36 Representative Office of Trade House TMK in China

- MANAGEMENT
- PRODUCTION
- SALES
- OILFIELD SERVICES
- RESEARCH AND DEVELOPMENT
- PIPE YARD

## Key operating indicators<sup>(a)</sup>

### Pipe sales (kt)

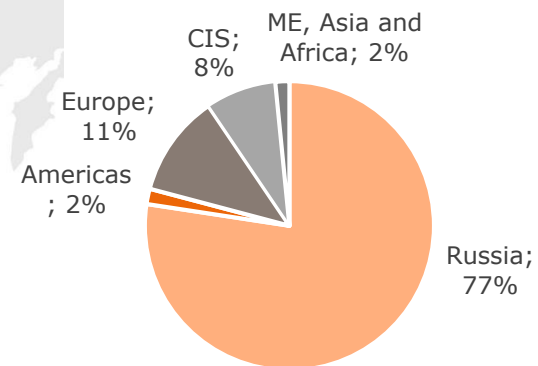
|                 | 2018  | 2019  | 2020  |
|-----------------|-------|-------|-------|
| Pipe sales (kt) | 3,989 | 3,828 | 2,811 |

Source: TMK data

Notes: (a) TMK annual results in 2018–2020 are presented on a stand-alone basis. 2018–2019 numbers include IPSCO (discontinued operations). For detailed breakdown of key financial metrics for continued and discontinued operations refer to TMK financial statements  
 (b) EBITDA for 2020 – in 3Q 2020, the management changed the approach to the calculation of Adjusted EBITDA. Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss (except for foreign exchange gain or loss arising on accounts receivable and payable, which is considered to be a part of operations), impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items.  
 (c) Operating FCF calculated as Adjusted EBITDA less CAPEX  
 (d) As of December 31, 2020

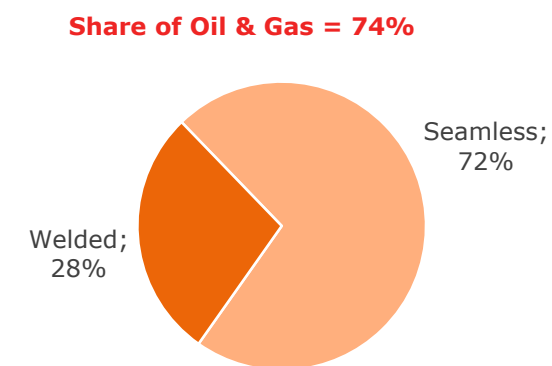
## TMK sales by region

(12M 2020, revenue)



## TMK sales by product

(12M 2020, in tonnes)



## Key financial indicators<sup>(a)</sup>

|                             | (RUB mln) |         |         | (US\$mln) |       |       |
|-----------------------------|-----------|---------|---------|-----------|-------|-------|
|                             | 2020      | 2019    | 2018    | 2020      | 2019  | 2018  |
| Revenue                     | 222,621   | 308,378 | 319,399 | 3,086     | 4,764 | 5,099 |
| EBITDA <sup>(b)</sup>       | 42,480    | 43,540  | 44,052  | 589       | 673   | 700   |
| EBITDA Margin(%)            | 19%       | 14%     | 14%     | 19%       | 14%   | 14%   |
| Operating CF <sup>(c)</sup> | 48,652    | 38,008  | 32,876  | 674       | 587   | 510   |
| NET Profit (Loss)           | 24,301    | 3,946   | 2,142   | 337       | 61    | -     |
| Net Debt <sup>(d)</sup>     | 98,674    | 154,931 | 169,233 | 1,336     | 2,503 | 2,437 |

# Chelpipe acquisition



## Transaction highlights

- In March 2021 TMK acquired 86.54% of shares in PJSC "ChelPipe"
- The deal was financed largely out of TMK own funds as well as debt financing
- The actual transaction costs amounted to RUB 69 bn, including counter payments
- The owners of the remaining 13.46% of shares were made an offer in accordance with Russian legislation

## Transaction benefits for TMK

- The combined company will become the largest producer of seamless industrial and oil and gas pipes in Russia and globally
- The group will have a stronger business profile, thanks to sizable operational synergies
- The consolidation will allow to optimize the capacity and product mix and to expand the share of high value-added steel products

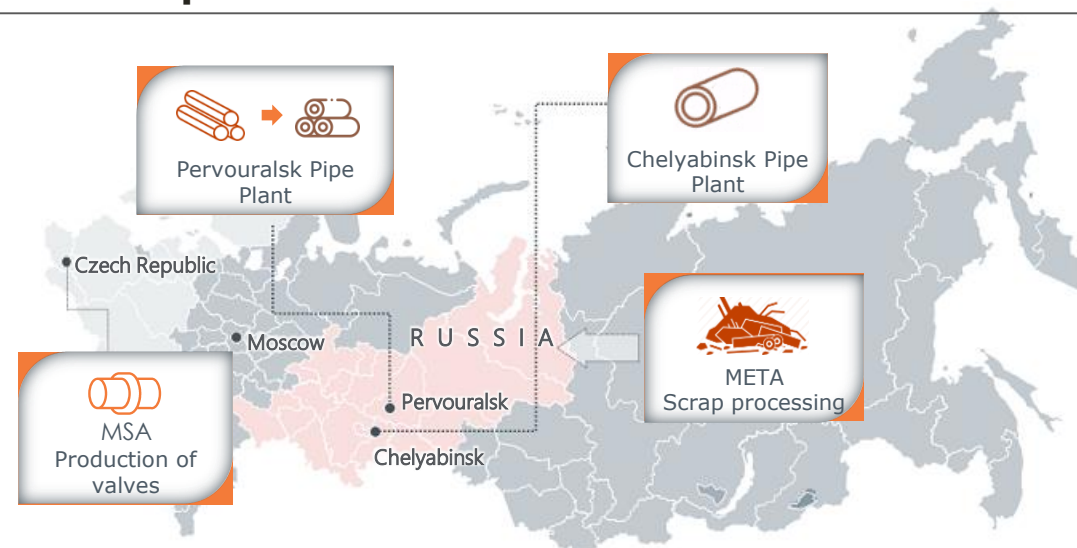
## Chelpipe overview

- ✓ Favorable location of assets close to major customers and suppliers
- ✓ Own scrap collection and steel billets production
- ✓ One of the highest EBITDA margin among pipe producers worldwide

## Key operating and financial indicators

| (RUB bn)                   | 2017  | 2018  | 2019  | 2020  |
|----------------------------|-------|-------|-------|-------|
| Shipments (mt)             | 1.9   | 1.9   | 2.1   | 1.4   |
| Revenue                    | 158.3 | 178.8 | 192.3 | 138.0 |
| Adj. EBITDA <sup>(a)</sup> | 23.6  | 28.2  | 31.8  | 28.5  |
| EBITDA margin (%)          | 14.9% | 15.8% | 16.6% | 20.7% |

## Asset map



Source: TMK data

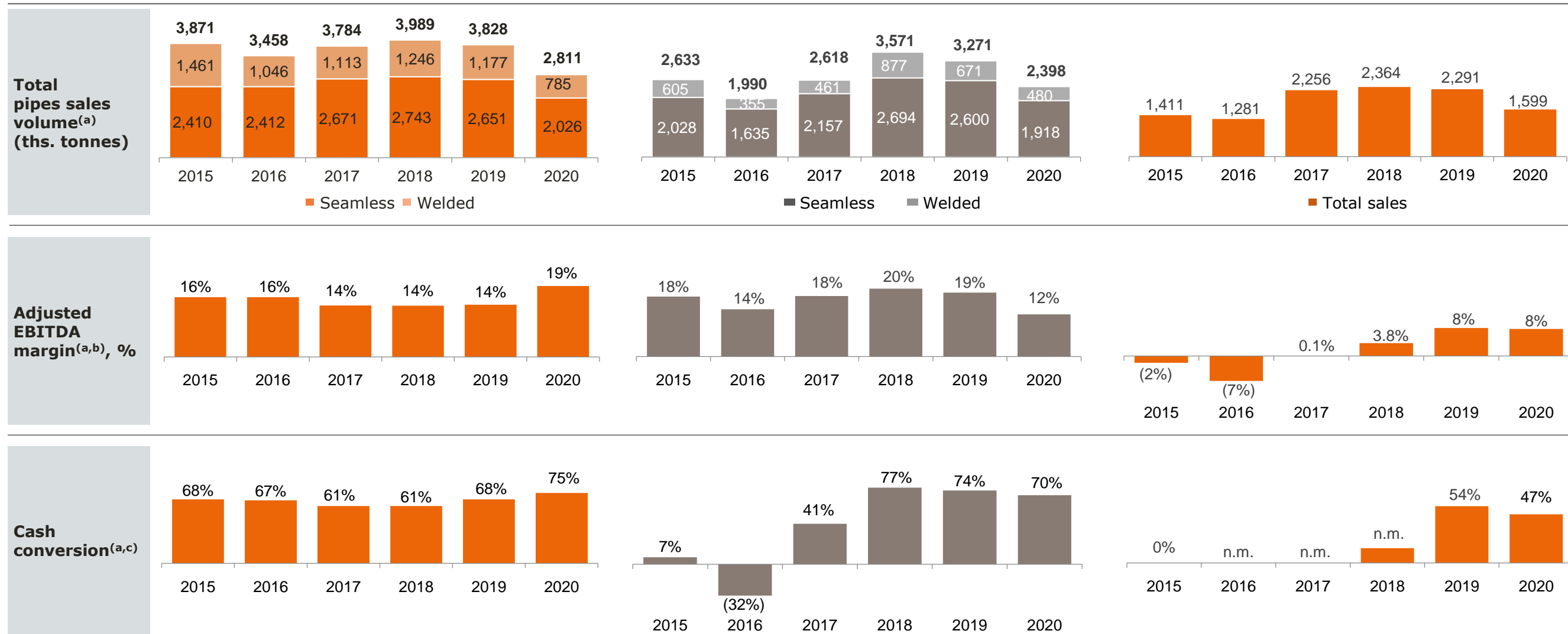
Notes: (a) Adjusted EBITDA is determined as profit/loss for the period adjusted by finance income and costs, income tax, depreciation and amortization, foreign exchange gain/loss, change in fair value of derivatives, gain/loss on disposal of subsidiaries, gain/loss on disposal of property plant and equipment and intangible assets, impairment of loans receivable, interest receivable, property plant and equipment and intangible assets, advances for capital construction and intangible assets, impairment of goodwill, social and charity expenses not related to operating activities.

# TMK Today – Key Investment Highlights



Source: Company data  
Notes: (a) Company estimates for FY 2020

# TMK – Superior Earnings Resilience Through the Cycle



Source: Companies' public reporting

Note: Competitor 1, Competitor 2 are top three global pipe producers

(a) TMK results include IPSCO results in 2015-2019

(b) Adjusted EBITDA for TMK: In 3Q 2020, the management changed the approach to the calculation of Adjusted EBITDA. Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss (except for foreign exchange gain or loss arising on accounts receivable and payable, which is considered to be a part of operations), impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual item

(c) Calculated as (Adjusted EBITDA - Capex) / Adjusted EBITDA



# Strong Position in Multiple End-Markets for Pipes Beyond Oil & Gas



## Automotive



- TMK-ARTROM is qualified as an authorised supplier for Dacia (a subsidiary of Renault)

## Civil Construction



- Galvanised pipe for the outer steel frame of the Otkritie Arena stadium in Moscow
- Impact resistant seamless pipe shipped for the construction of Zenit Arena stadium retractable roof in St Petersburg
- Structural steel pipe for the stadium roof in Samara

## Energy and Chemicals



- Pipe shipments to energy and petrochemical businesses
- The enterprises of Truby 2000 engineer, manufacture and supply pipeline equipment made of carbon, boiler and stainless steels for nuclear and thermal power plants.

## Diversified Hi-Tech Solutions



- TMK-INOX stainless pipe of 8–114 mm diameter, used in nuclear, aircraft, automotive, aerospace and energy industries



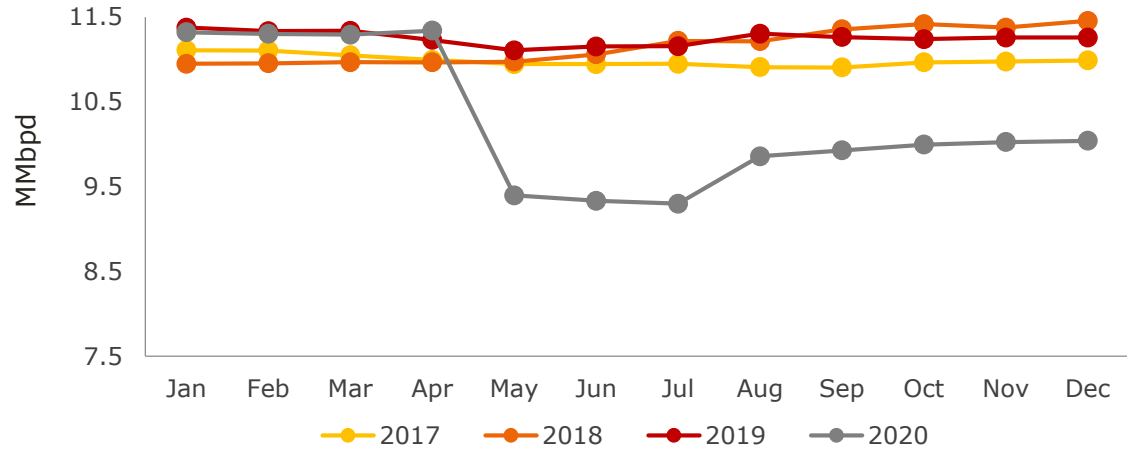


# TMK Russian Division: Market Overview

# Oil Production Trends in Russia Create Long-term Demand for High-End Oil & Field Services

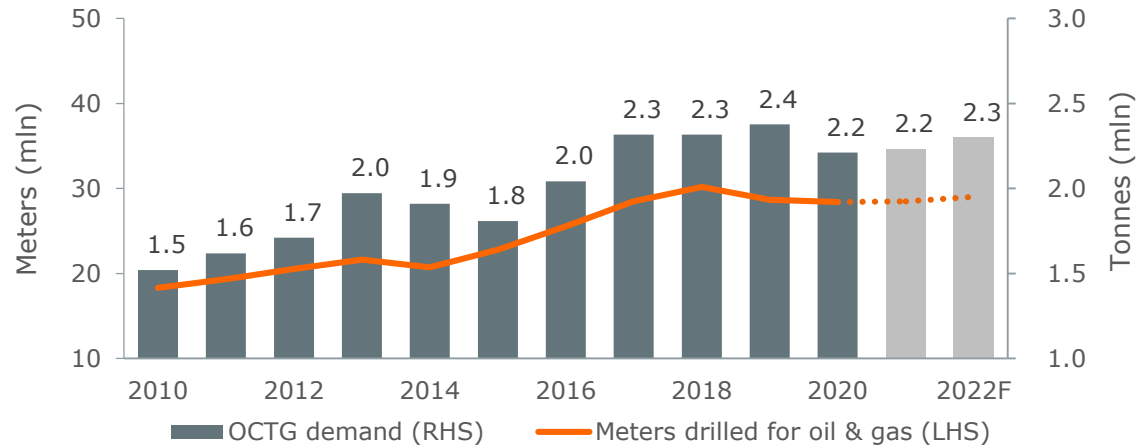


## Russian total oil output



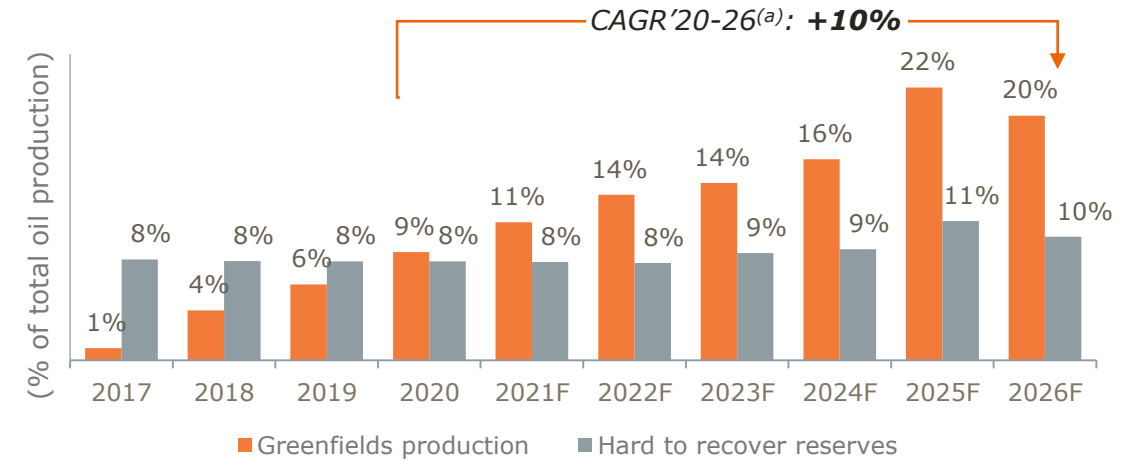
Source: Interfax, Info TEK

## OCTG demand is relatively stable supported by existing level of production and development of greenfields



Source: Interfax, Info TEK, Spears & Associates, DPO, TMK estimates

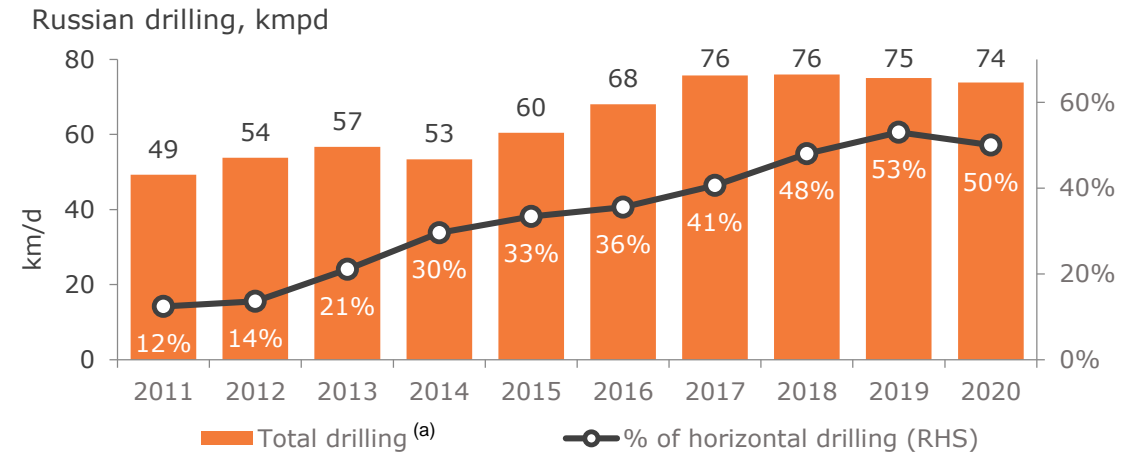
## Supported by increasing development of greenfields and hard-to-recover reserves



Source: RPI

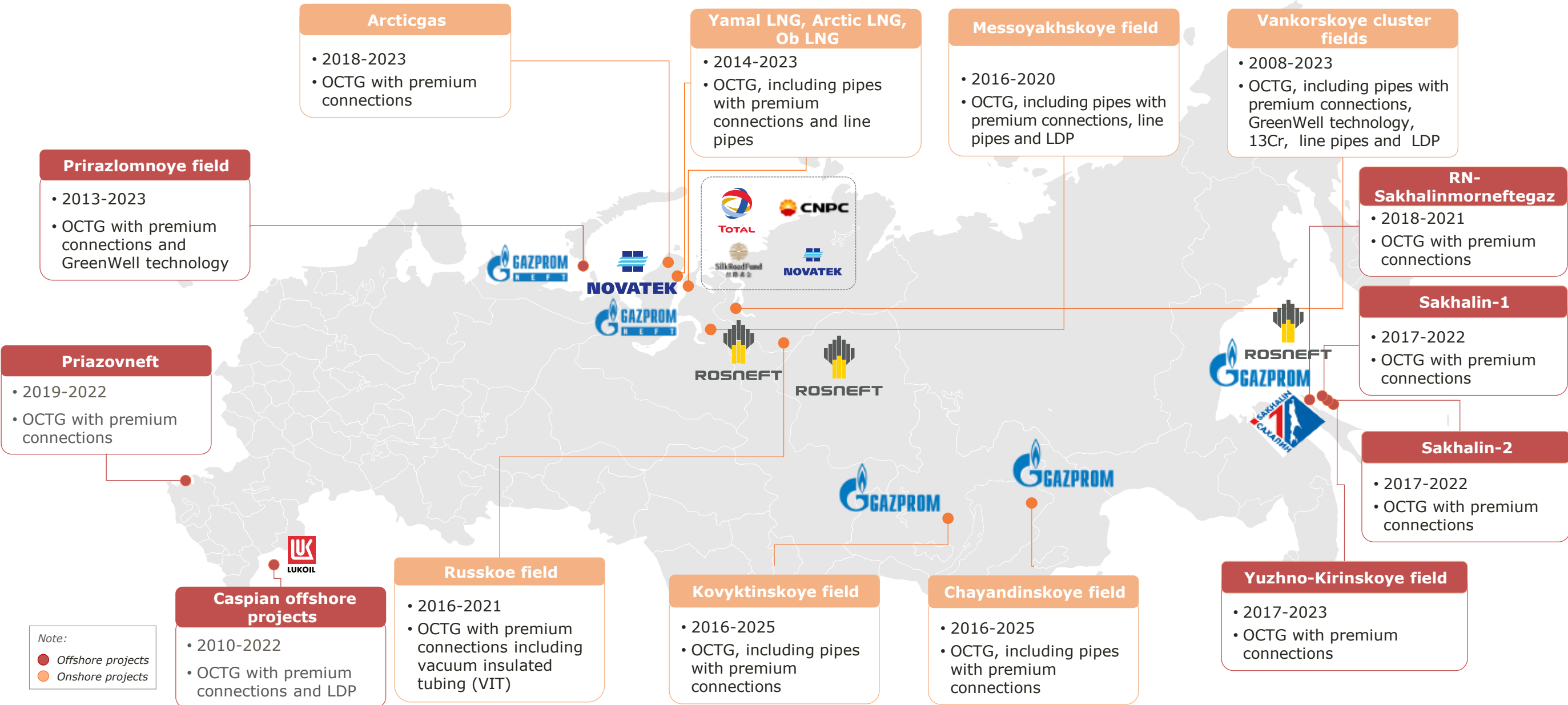
Note: (a) corresponds to greenfield and hard-to-reserve production CAGR '19-25

## OCTG premium products demand is supported by high share of horizontal drilling



Note: (a) development drilling for oil

# Attractive Portfolio of Premium OCTG Projects



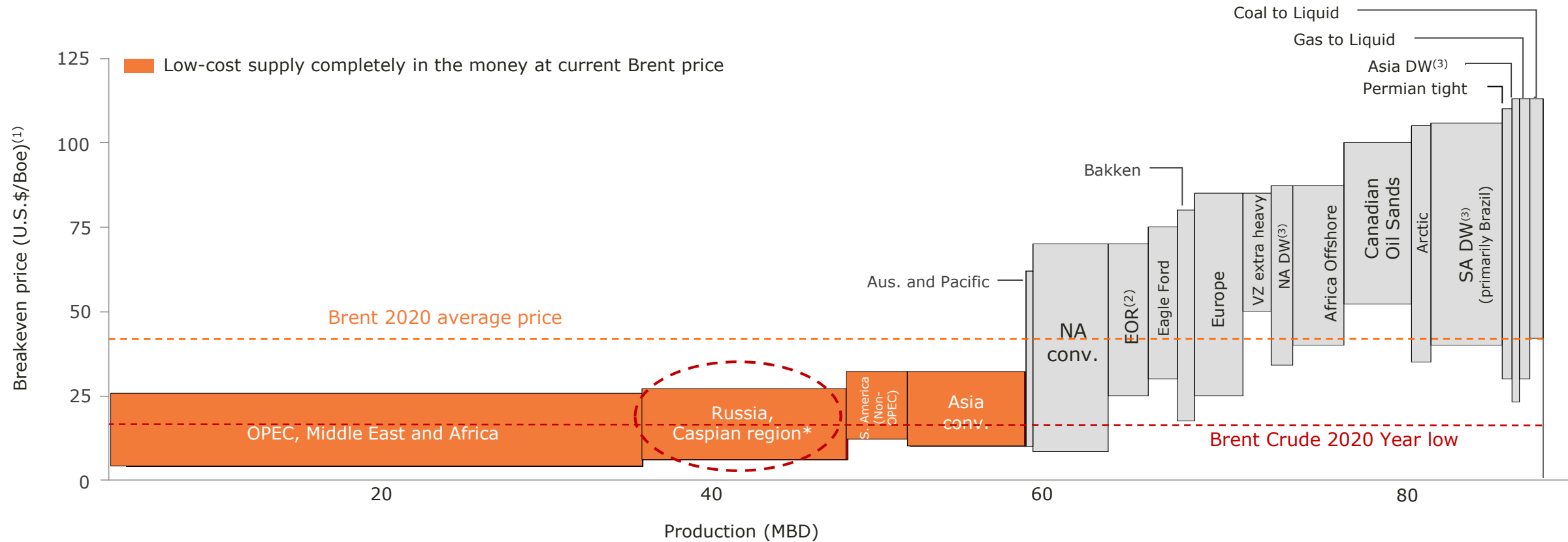
Note:  
● Offshore projects  
● Onshore projects

Source: TMK data

# TMK's Home Market is One of the Lowest Cost Oil Producing Regions



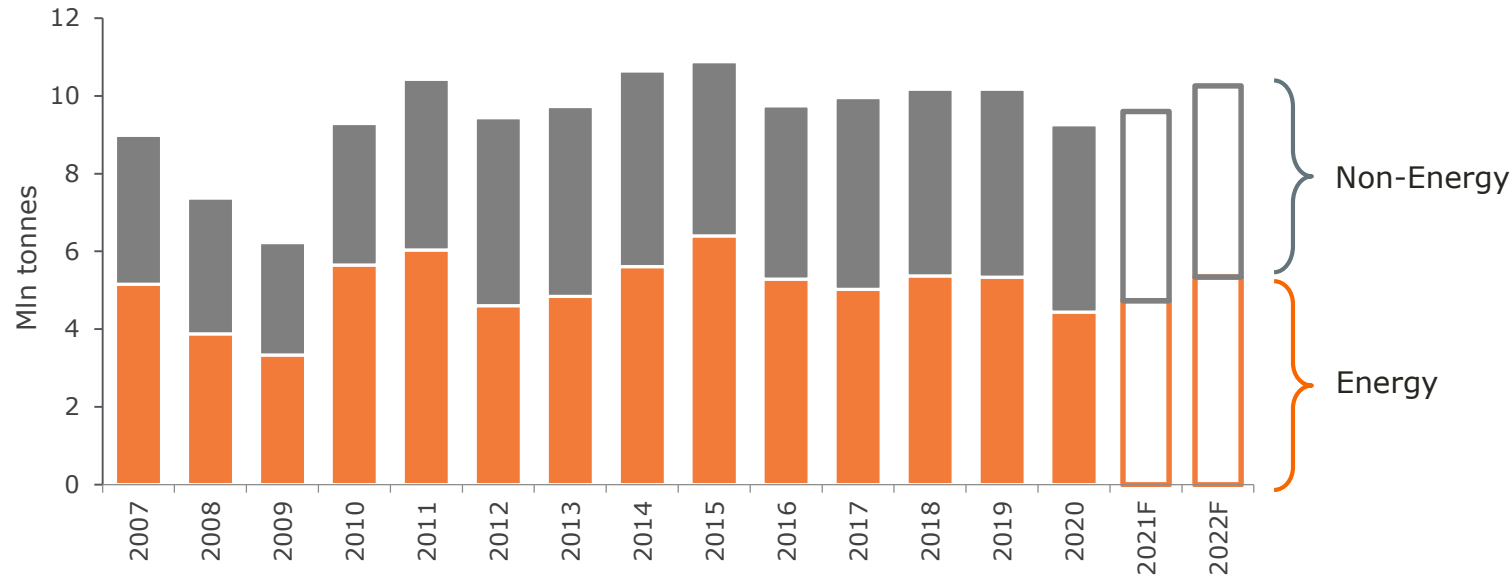
## Global oil production supply curve



Even with oil at 2020 Year lows, the low cost Russian and Caspian region is able to remain profitable unlike the majority of its international counterparts.

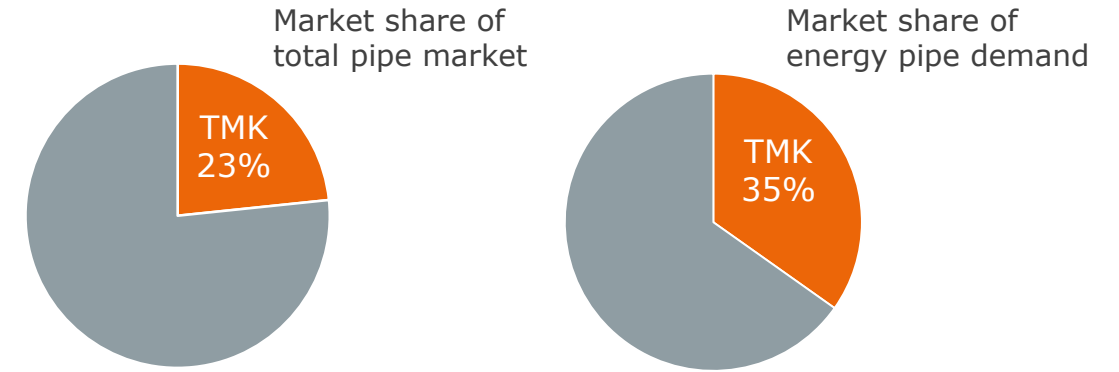
Source: IEA World Energy Outlook (2016); EIA International Energy Outlook (2016); EIA Annual Energy Outlook (2016); Morgan Stanley (2016), Bloomberg (as of 27 Jan 2020)  
 Notes: (1) Breakeven price assumes a 10% return, and NPV of zero; \*includes Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan; (2) Enhanced oil recovery; (3) Deep Water

# Strong Position on the Domestic Market



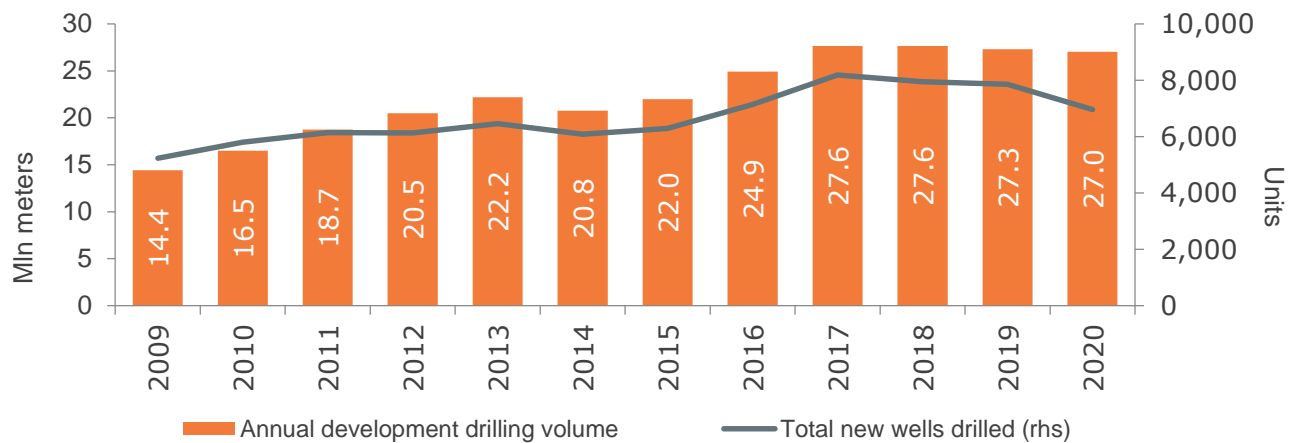
Source: TMK estimates

## No.1 on the Russian tube and pipe market (12M 2020)



Source: TMK estimates, based on 12M 2020 numbers

## Stable drilling activity in Russia



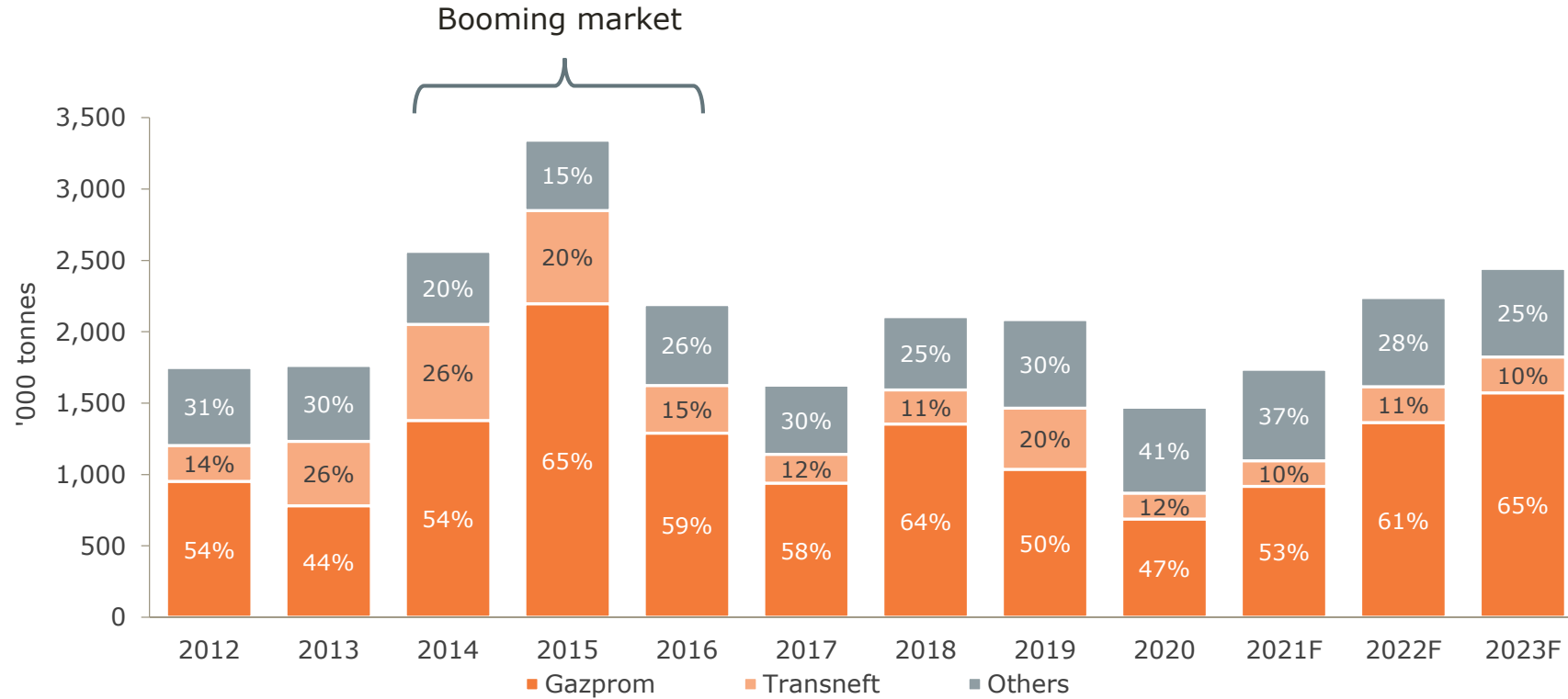
Source: Spears & Associates



# LDP Demand in Russia



## LDP demand in Russia, 2012–2023E



Source: TMK estimates



- LDP demand in Russia is driven by nation-wide O&G projects and maintenance of the existing O&G infrastructure, with current total length of Gazprom and Transneft current pipeline network exceeding 225 thousand kilometers
- Going forward, LDP demand in Russia is expected to be strongly supported by growing needs of Gazprom on the back of potential new projects, such as: Power of Siberia-2, Bovanenkovo-Ukhta 3, Ukhta-Torzhok 3, etc.
- TMK is well-positioned to participate in these projects due to efficient production costs, high-quality product offering and well-established relationship with the major customers in the Russian LDP market



# Technology cooperation programmes



## ROSNEFT

### Technology Partnership Program (2017–2020)

- Seamless line pipe with higher corrosion resistance
- Casing pipe with premium threaded connections
- Tubing pipe, including with inner coating
- Drill pipe

### Cooperation memorandum under the program of pipe import substitution in offshore projects (2015–2020)

- Casing pipe with premium threaded connections, including large diameter pipe with welded tool joints
- Tubing pipe with premium threaded connections

## ROSATOM

### Cooperation Agreement (since 2019)

15 joint projects across 8 areas, including:

- New types of high-tech tubular products in various sizes
- Development of new technical standards
- Development of new steel grades

## GAZPROM

### 5 R&D cooperation Programs implemented in 1998-2020

### Products launched through implementation of R&D Cooperation Programs

- Large diameter pipe, including for subsea pipelines
- Cold-resistant and hydrogen sulfide resistant seamless line pipe
- OCTG with premium threaded connections
- Large diameter casing pipe with premium threaded connections and welded tool joints

### “Future thing” agreement (2015-2023)

- >15 new high-tech tubular products launched by end-2020
- Import substitution OCTG: casing and tubing pipe – with cold-resistant, corrosion-resistant and hydrogen sulfide resistant premium threaded connections from chromium-nickel alloy and other alloy steels

## NOVATEK

### Strategic Partnership and Cooperation Agreement (2019–2023)

- Casing and tubing pipe with premium threaded connections

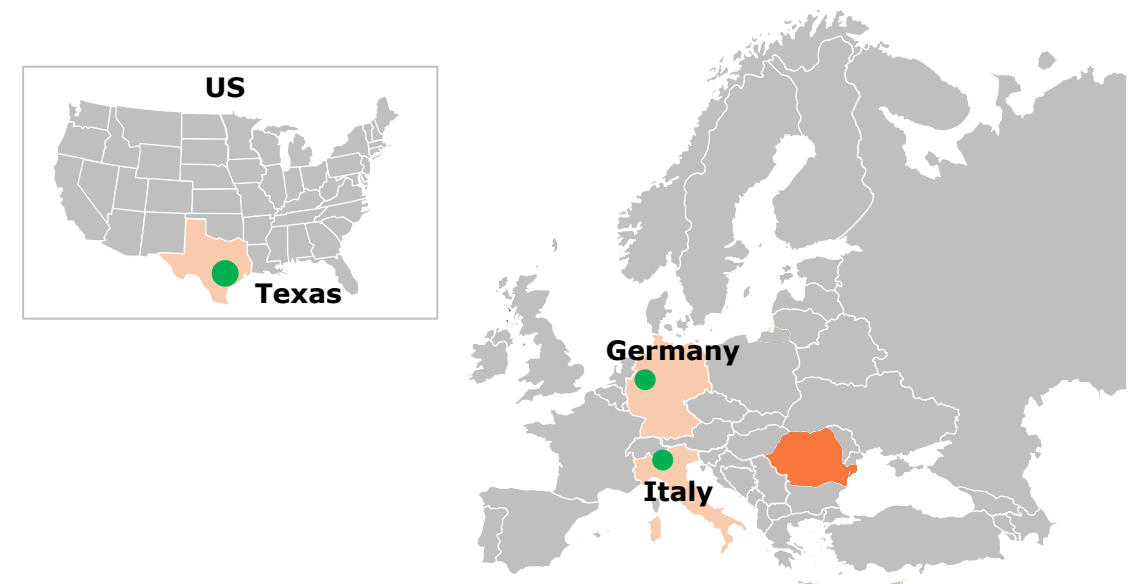
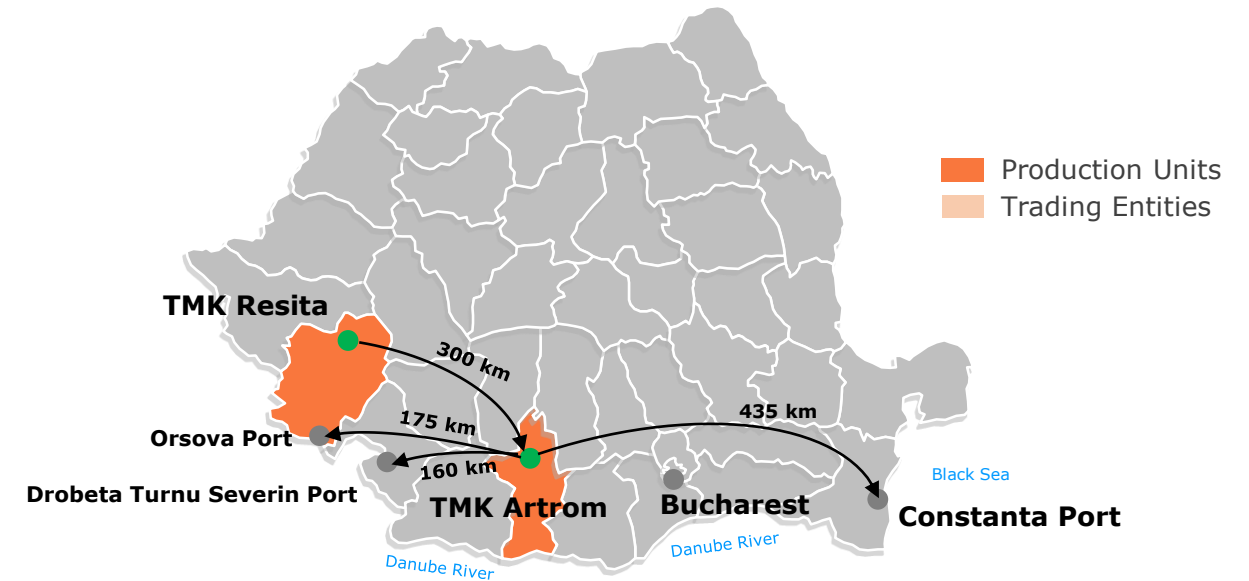


# TMK European Division: Market Overview

# Well Established European Steel Platform With a Strong and Resilient Business Model



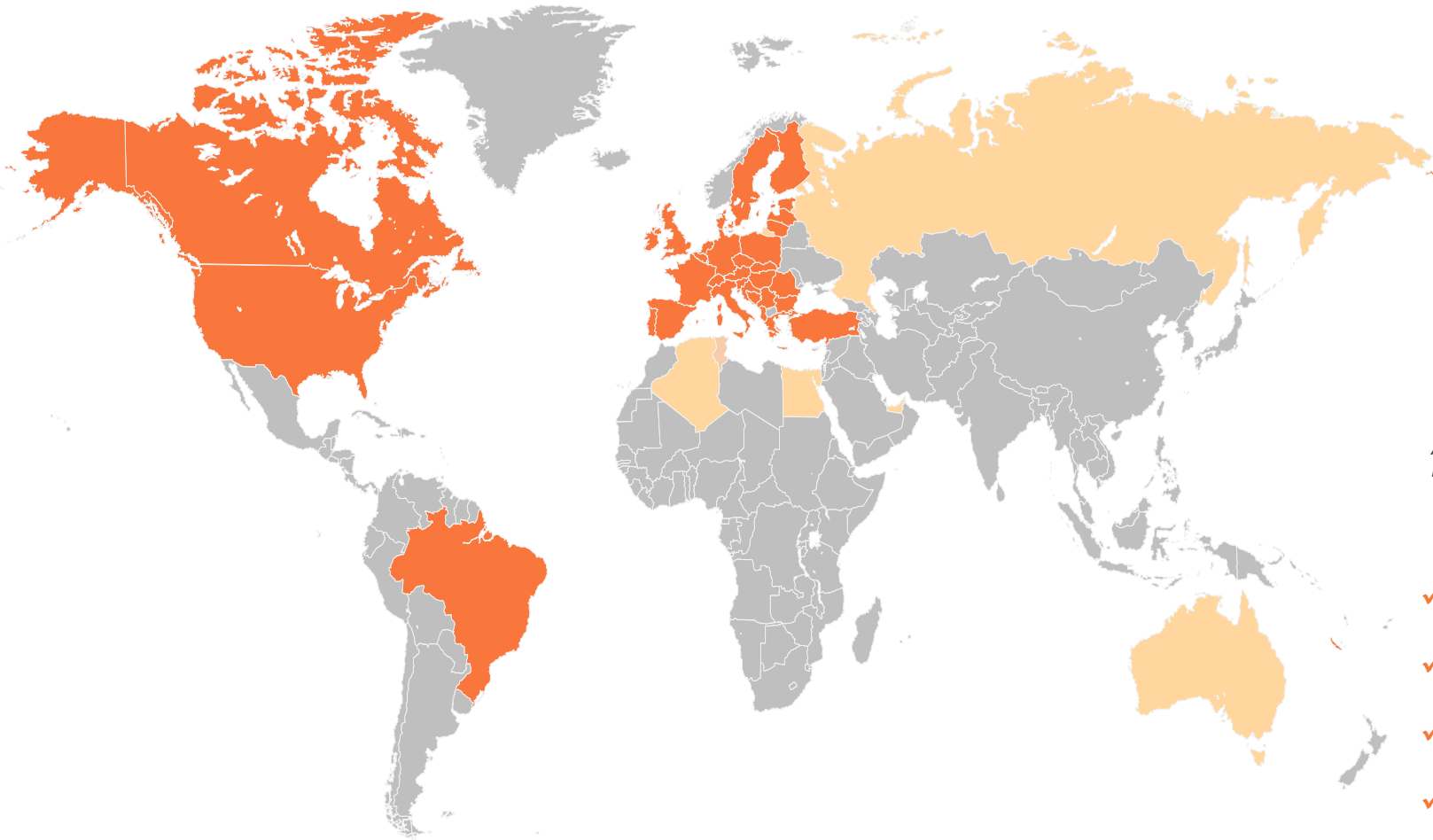
- **VERTICALLY INTEGRATED** → Steel and seamless steel pipes platform integrated upstream with a modern mini-mill and downstream with three trading entities well positioned to serve clients in two of the largest markets worldwide, Europe (including North Africa) and the Americas
- **WELL LOCATED** → Fair geographical location and efficient plant-to-plant and plant-to-port interconnections in Romania complemented by trade defense measures for EU producers
- **COST-COMPETITIVE** → A mix of advantages making TMK-Artrom S.A. a cost-competitive production platform
  - availability of scrap metal in the proximity of production facilities, a key raw material in production, and
  - lower than EU average salaries costs
- **DIFFERENT** → Focused on midmarket clients, with the whole operation designed to be highly flexible in order to address this client type: volumes per charge of steel of 100 tons and orders as small as 5 tons with just-in-time delivery, plus tailor-made products and prompt post-sale services, including site visits



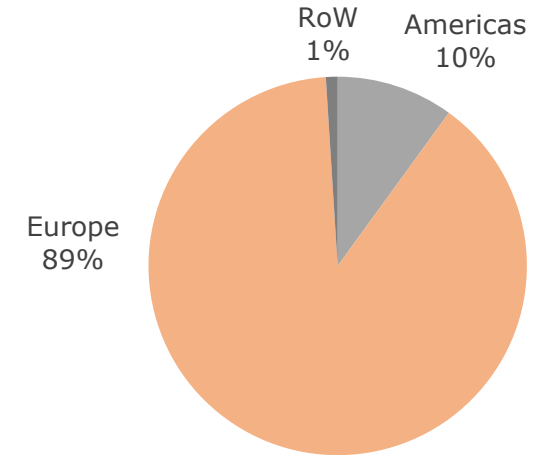
# Diversified And Attractive Global Customer Base



- Core countries
- Others



TMK-ARTROM sales by region in 2020 (in terms of value)



Americas includes also Canada, Brazil, US, Mexico  
Europe includes also Middle East, Turkey and North Africa

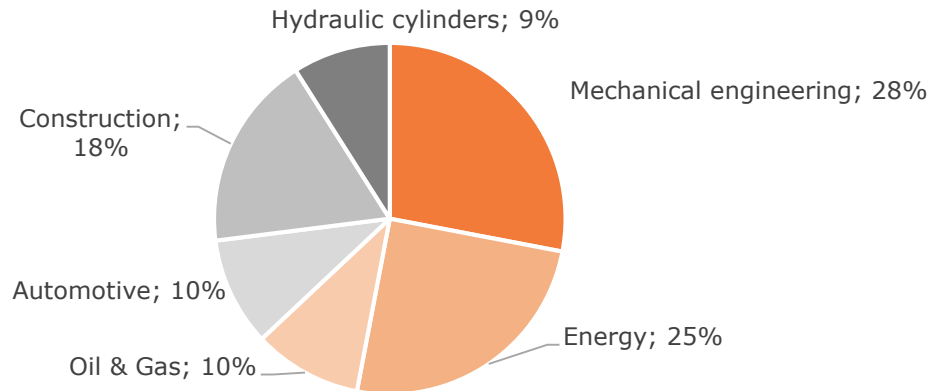
- ✓ 45 countries with a focus on Europe and the Americas
- ✓ Almost 400 permanently active clients
- ✓ Largest client <10% of sales (top 10 clients <25%)
- ✓ Number of clients in the Americas doubled and the share of pipe sales increased to 10% in 2020 vs. 5% in 2016 due to the launch of a subsidiary (April 2016)

# Distinctive Product and Client Portfolio Decoupling the Company from the Global Steel Market



## Strongly positioned in multiple end-markets for pipes, beyond oil & gas...

In volume terms, 2020

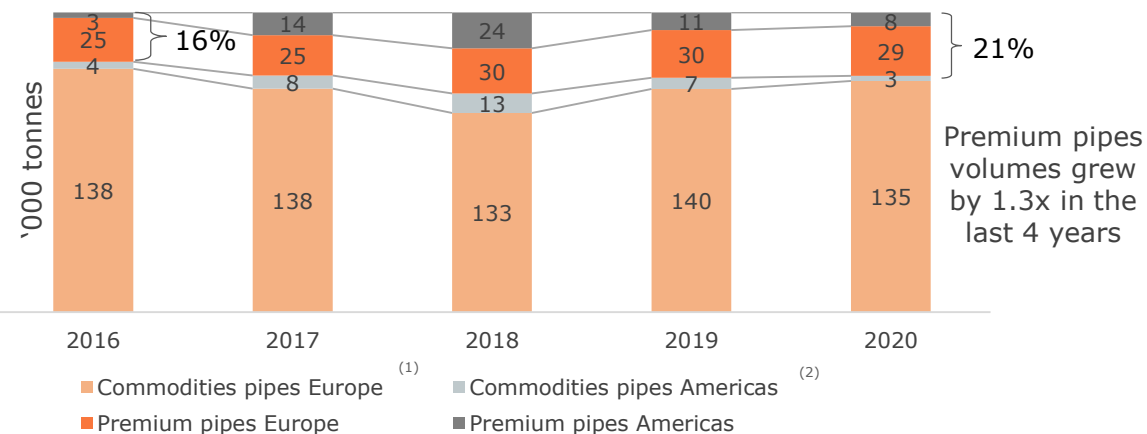


## ...quality oriented and certified for the automotive industry, differentiating the Company from most of its peers

- Up to 10% in the sales mix in 2020
- Ability to satisfy one of the most demanding industries in terms of product quality
- Projects co-developed with and pipes supplied to major car manufacturers including some of the most prestigious luxury brands



## Increasing focus on product premiumisation by expanding heat treatment, cold processing and machining...



## ...and by providing niche and tailor-made customer solutions to a market with growing sophistication

- Limited editions under tight deadlines: ability to supply small orders (ca. 1/100 compared to industrial commodity pipes) to car manufacturers under tight just-in-time delivery terms (even down to a minimum of 10 days)
- Rare products for the European market: customized heat treated tubes, including quenched and tempered long tubes with wall thickness up to 60mm
- Precision products for highly specialized uses: produced in microns tolerances, a dozen times higher level than industrial commodity pipes; these tubes are ready for use without other machining in hydraulic cylinders and accumulator manufacturing

Source: Company information, Management accounts  
 (1) Europe also includes Middle East, Turkey and North Africa  
 (2) Americas also includes Canada, Brazil, US, Mexico



# Strategic Overview



## Operating

- Strengthening leading positions in key product segments both in the Russian and global markets
- Maintaining a stable financial position in line with the world's leading pipe manufacturers, maximizing operating cash flows and optimizing the asset portfolio

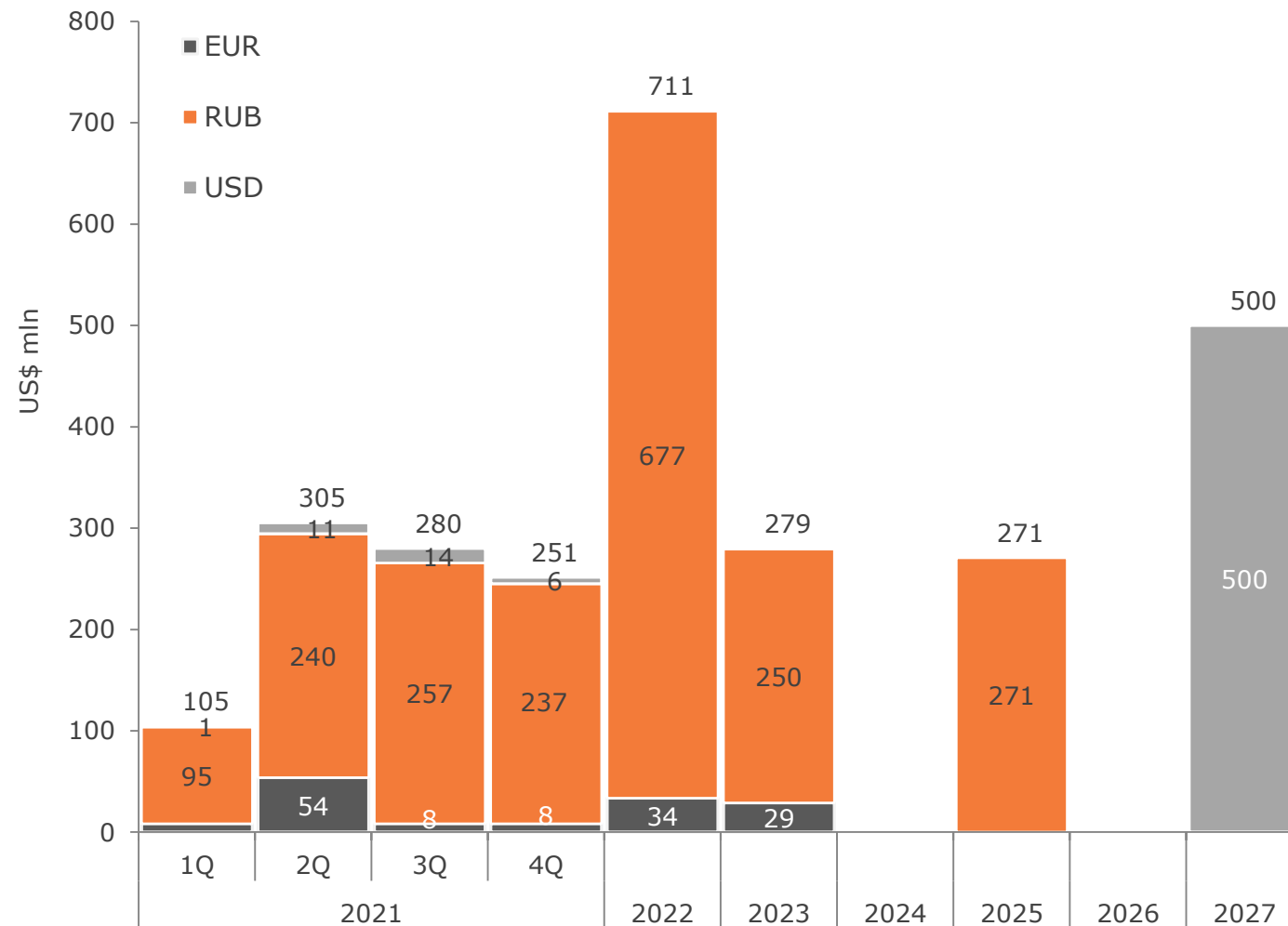
## Strategic

- Expanding and optimizing TMK's production facilities, including via alliances, partnerships and acquisitions
- Deepening long-term partnerships with key consumers and joint entry into new oil and gas production regions
- Implementing breakthrough technologies and services to improve product quality and optimize costs
- Developing complex design solutions for clients using the latest IT technologies

## ESG

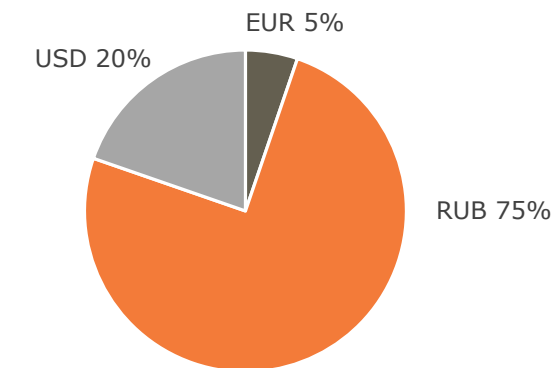
- Improving our industrial safety level - targeting zero injuries
- Reducing pollutant emissions in accordance with the best global industry standards, improving energy efficiency in production processes and the efficiency of waste management
- Creating new technologies and products for the development of environmentally friendly energy sources, as well as other prospective directions
- Adherence to the best corporate governance practices

# Debt Maturity Profile as at December 31, 2020



- Total debt<sup>(1)</sup> amounted to RUB 199.1 billion (\$2.7 billion\*) as at December 31, 2020
- Net debt<sup>(2)</sup> amounted to RUB 98.7 billion (\$1.3 billion\*) as at December 31, 2020
- The weighted average nominal interest rate reduced by 88 bps compared to the end of 2019 to 6.07% as at the end of 2020
- Credit Ratings:
  - ✓ S&P B+, Negative
  - ✓ Moody's B1, Stable

## Debt currency structure



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

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.

(1) Total debt is calculated as loans and borrowings less interest payable

(2) Net debt is calculated as total debt net of cash and short-term financial investments

\* At the rate of the Central Bank of Russia as at December 31, 2020 (USD/RUB = 73.8757)

# Environmental, Social & Governance



In 2019 TMK received an MSCI ESG Rating\* of **BB**

Note: (\*) disclaimer link: <https://www.msci.com/documents/1296102/15233886/How-to-Reference-an-MSCI-ESG-Rating-Final.pdf/c2ca92cb-1783-ae6e-d351-f9920c18b79b?t=1564729359833>



Governance..... **3** (as of March, 2021)

Lower governance risk = 1; Higher governance risk = 10

# Corporate Governance



## Composition of the Board of Directors

**Dmitry Pumpyanskiy**  
*Chairman*  
*Non-Executive Director*

- **Founder of TMK**
- **Member of the Board of Directors since 2004**
- **25+ years of sector experience**

**Alexander Shiryayev**  
*Executive Director*

- With TMK since 2003: various senior positions within the Group incl. CEO until 2019

**Sergey Kravchenko**  
*Chairman of the Nomination and Remuneration Committee*  
*Independent Director*

- President of Boeing Russia/CIS

**Andrey Kaplunov**  
*Executive Director*

- With TMK since 2001
- Vice President of Sinara Group, Member of the Board of Directors of Sinara Group

**Natalia Chervonenko**  
*Chairman of the Audit Committee*  
*Independent Director*

- 20+ years of banking experience
- Previously a BoD member of several companies and banks

**Alexander Pumpyanskiy**  
*Non-Executive Director*

- Chairman of the Board of Directors of SKB-BANK and Sinara Group

**Frank-Detlef Wende**  
*Independent Director*

- Senior academic positions at MADI and Financial University
- Previously Counsel to President of AvtoVAZ

**Mikhail Khodorovskiy**  
*Non-Executive Director*

- Member of the Board of Directors of SKB-BANK, Sinara Transport Machines, Sinara Group

**Yaroslav Kuzminov**  
*Independent Director*

- Rector of National Research University "Higher School of Economics"

**Anatoly Chubais**  
*Independent Director*

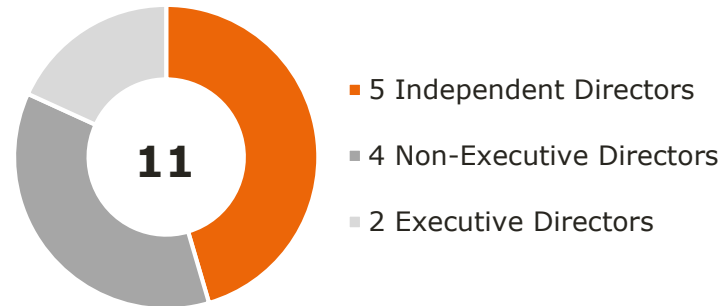
- Special Representative of the President of the Russia for Relations with International Organizations to Achieve Sustainable Development Goals. Previously Chairman of the Board of Rusnano

**Aleksander Shokhin**  
*Chairman of the Strategy Committee*  
*Non-Executive Director*

- President of Russian Union of Industrialists and Entrepreneurs

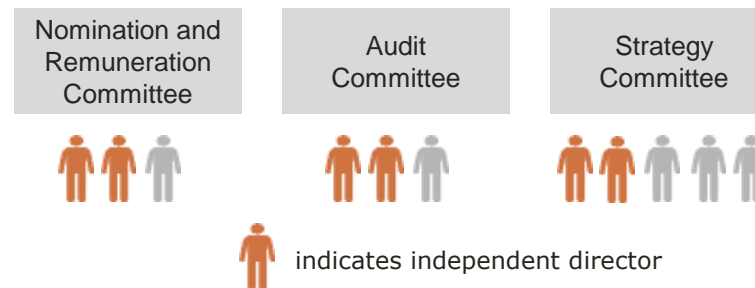


## Structure of the Board of Directors



## Board committees

The Board of Directors has three standing committees, two of them are chaired by **independent directors**

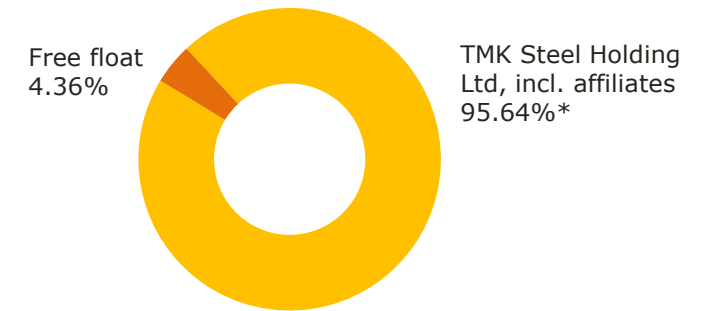


## Corporate governance ratings



**TMK ranks in the Top-20** companies in Russia with the best disclosure of corporate governance information, according to the annual survey "National Corporate Governance Index" in 2019

## Capital structure



\* The beneficiary is Dmitry Pumpyanskiy, Chairman of the Board of Directors of TMK

- Total shares outstanding amount to 1,033,135,366.
- TMK's securities are listed on the Moscow Exchange.

# Environmental Protection and Health & Safety

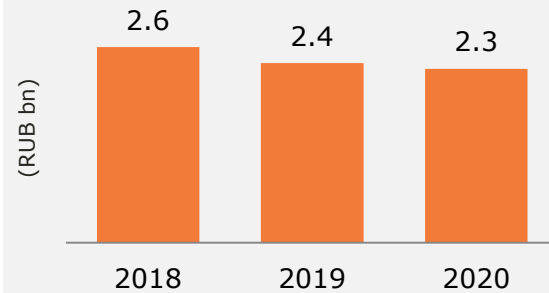


## Environmental management

>20 investment projects in 2020

Key area: air protection

Total environmental expenses



Water and Waste management key results in 2020:

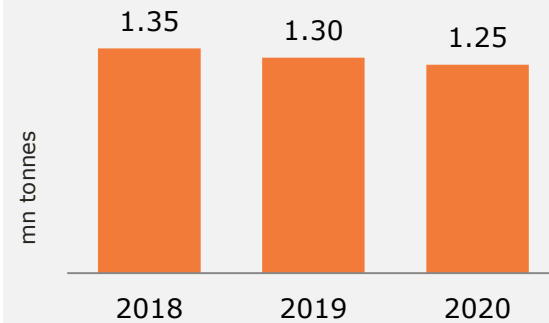
↓3%<sup>(a)</sup> of total water consumption

↓8%<sup>(a)</sup> of wastewater discharge to natural water bodies

95.85% of water recycled and reused by the Russian Division

↓17%<sup>(a)</sup> of waste generation

Greenhouse gas emissions, CO2 equivalent



Greenhouse Gas Emissions  
1.252 mn tonnes

Direct GHG emissions of CO2 equivalent in 2020

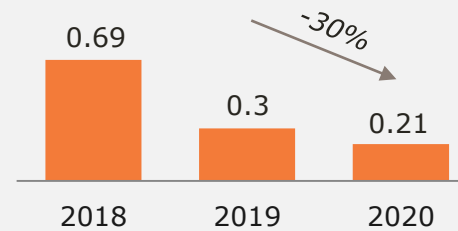
↓3.4%<sup>(a)</sup> reduction of GHG emissions, due to implementation of the energy efficiency, fuel and energy savings program, optimization of operations and improvement of process solutions

## Health & Safety

Annual Steel Safety Day

- Approx. 40k employees of TMK and contractors participated
- All production sites took part in Steel Safety Day 2020

LTIFR<sup>(b)</sup>



↓28%<sup>(a)</sup> of accident frequency rate

↓25%<sup>(a)</sup> number of serious injuries

One fatality in 2020

Zero fatalities in 2018 and 2019

RUB 770m +30%<sup>(a)</sup>

Invested in health & safety measures in Russian and European divisions in 2020

Focus on best practices

- All TMK facilities were certified in accordance with ISO 45001:2018
- Preparation for and participation in the International Specialised Exhibition «Safety and Labour Protection» (BIOT-2020)
- Digital medical inspections introduced at five facilities

Source: TMK data

Notes: (a) Compared to 2019

(b) LTIFR - Number of lost time injuries in a 12-month period / employee total hours worked x 1,000,000

## Local communities

> **RUB 185m** donated by TMK enterprises to a range of charities

> **6,000** children of the region involved in career guidance

**RUB 100m** raised through "Stop-coronavirus!" project to aid hospitals, social institutions and NKO's

### Providing support to local communities

- Building up professional education system
- Supporting children's hospitals and rehabilitation centers
- Creating comfortable environment in the cities of presence
- Developing sport facilities in the regions
- Organization of children's cultural events

## Safe working environment

**The health, safety and security of people is our highest priority**

### Protecting employees

- Training employees on HSE issues
- Providing medical insurance and wellness programs to employees and their families
- Continuous operational risk monitoring
- Creation of danger areas map at production facilities

**80%** employees involved in risk identification

## Charity and social initiatives

**Social and charitable activities of TMK are implemented through the corporate charity fund Sinara launched in 2001**

### Comprehensive charity program

- Supporting favourable social climate in the regions of operations

### Our priorities

- Healthcare & medicine
- Education
- Art & culture
- Development of local communities
- Sport



## Set of measures regarding COVID-19

**TMK continues to implement preventive measures aimed to reduce COVID-19 spread**

### Major actions taken

- Social distancing, regular disinfections of all offices and production sites, available hand sanitizers, face masks and gloves
- Major part of administrative staff worked remotely
- Corporate public events and international business trips were cancelled or postponed
- Regular tests and corporate medical support to employees

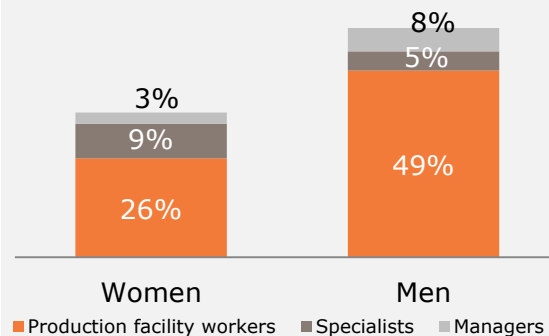


## Personnel management

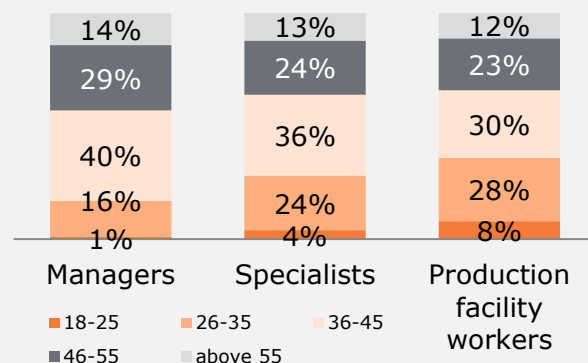
**37.2 thousand employees as of end 2020**

**94% employees at the Russian division, 6% - at the European division**

**Staff breakdown by gender & category**



**Staff breakdown by age & category**



## Compensation and incentives

**The Company's motivation system aligns interests of shareholders, management and employees**

- Offering competitive compensation
- Management's incentive program is based on KPI implementation
- Increasing employees involvement through motivation system
- Corporate pension plan aimed to ensure better financial health for employees after retirement
- Engagement with trade unions

## Personnel development

**USD 1.5m** invested in training and personnel development in 2020

**Corporate University TMK2U is the main educational center**

- Established in November 2017
- Headquarter located in Skolkovo
- 5 training facilities on production site
- 170+ educational programs
- >150 professions
- Business process automation development



**>200** trainings held in 2020

**75%** of employees trained in 2020

## Corporate culture

**TMK corporate culture is aimed to develop talents and unlock potential of each employee for the common success**

- Talent pool creation
- Regular personnel attestation
- Corporate educational events
- Internal social network Mobi2U and HR & educational platform SOTA2U

**>2,000** employees participated in involvement research

**>1,500** participants of "Horizons" corporate forum in 2020

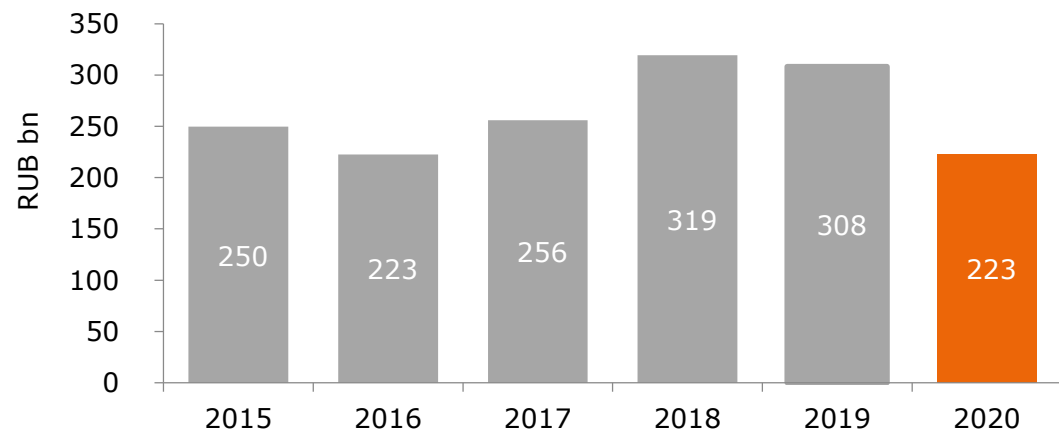


# Summary Financial Results

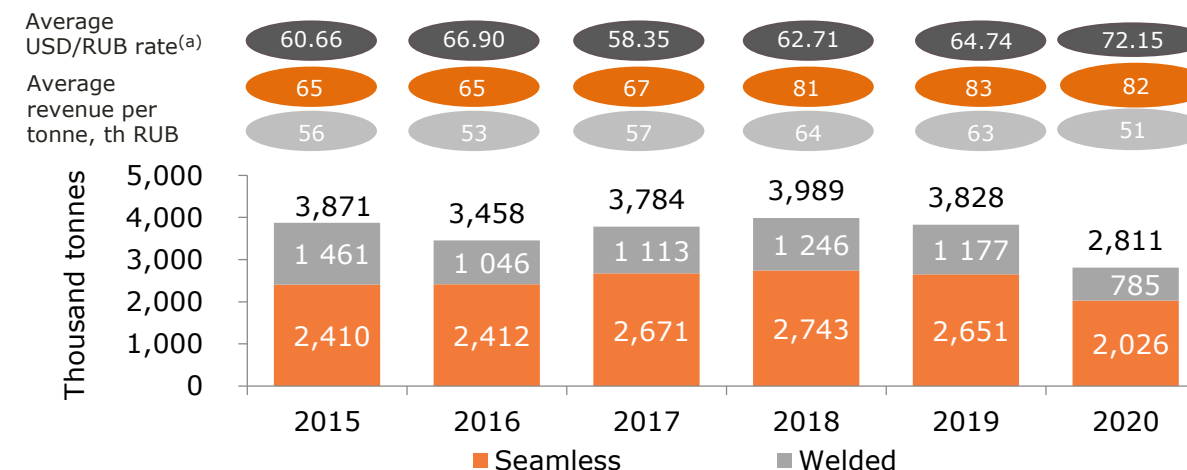
# FY Consolidated Results Snapshot (RUB)



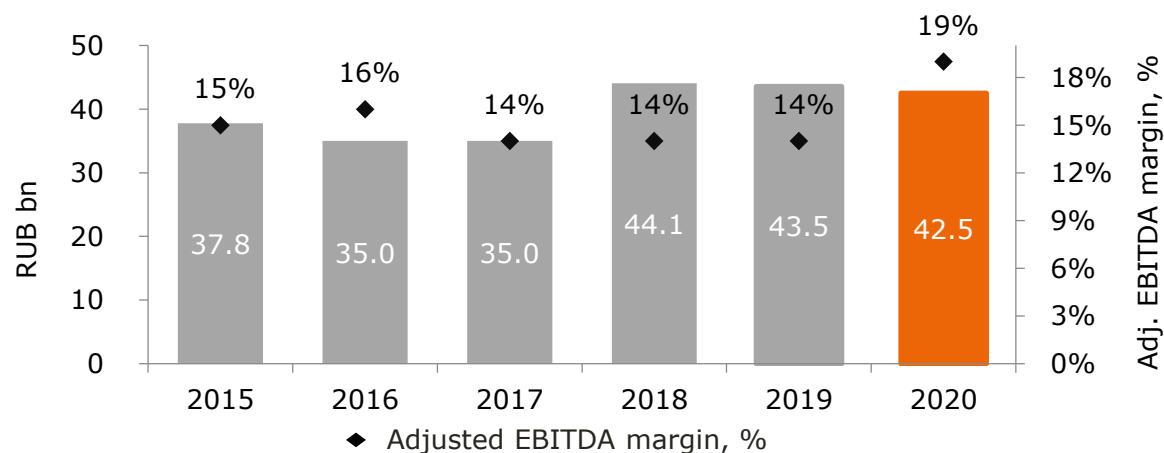
## Revenue



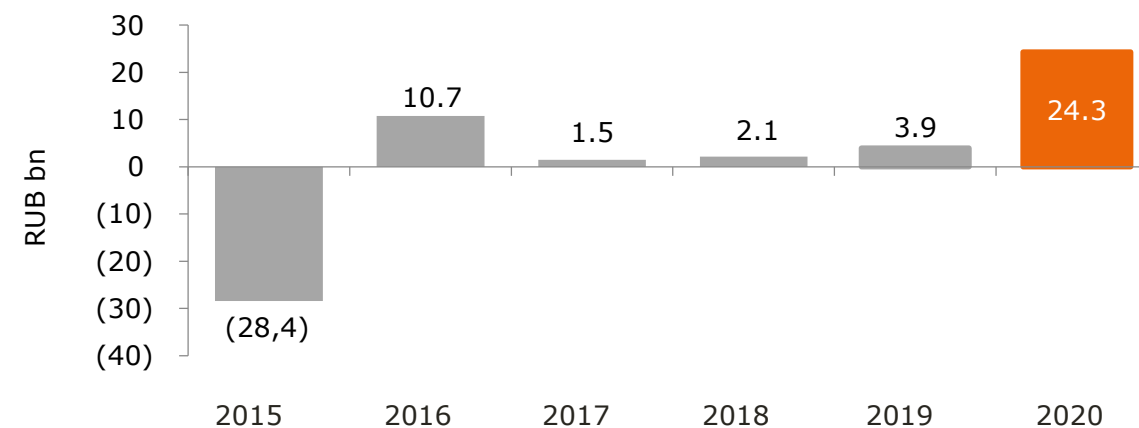
## Volumes and realised prices



## Adjusted EBITDA<sup>(b)</sup>



## Net profit



Source: TMK data 2015-2019 included IPSCO results

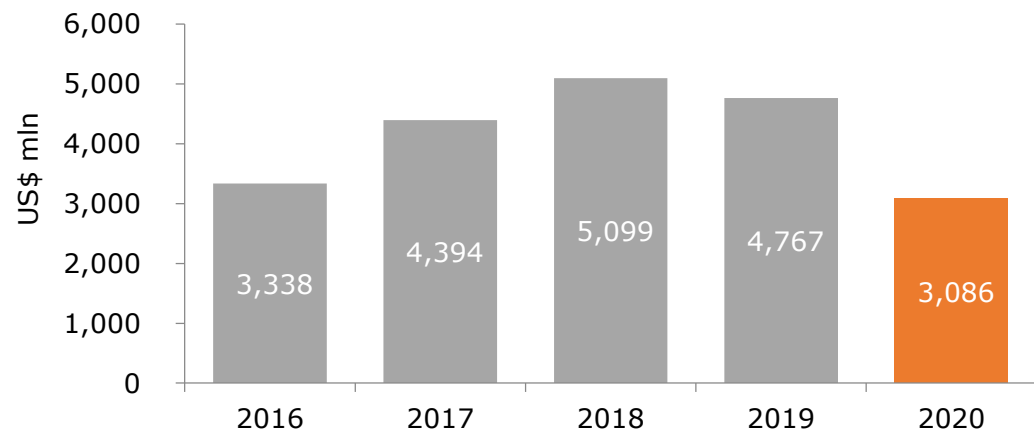
Note: (a) Average nominal USD/RUB exchange rate as published by the Central Bank of Russia.

(b) EBITDA for 2020 – in 3Q 2020, the management changed the approach to the calculation of Adjusted EBITDA. Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss (except for foreign exchange gain or loss arising on accounts receivable and payable, which is considered to be a part of operations), impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items.

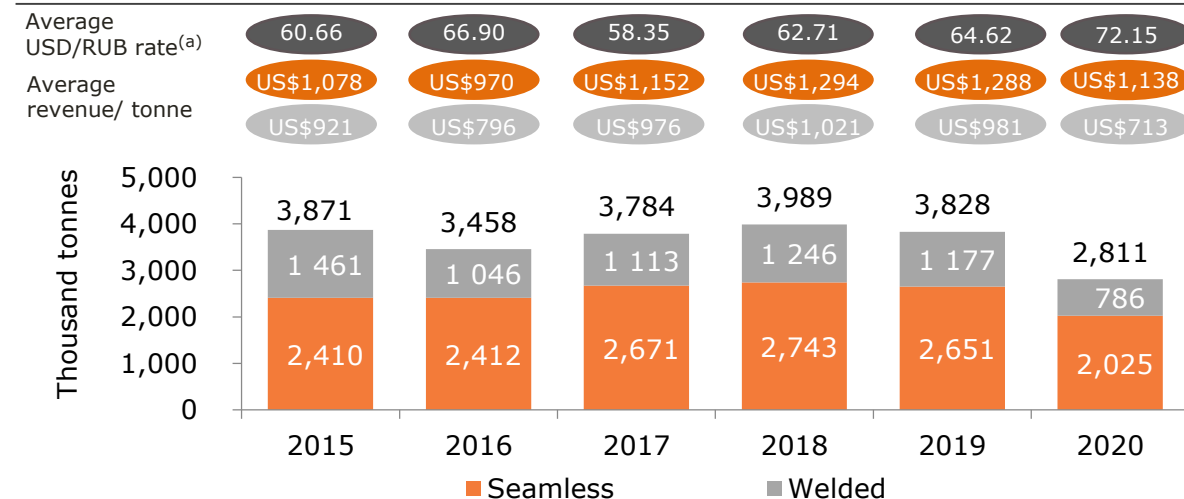
# FY Consolidated Results Snapshot (USD)



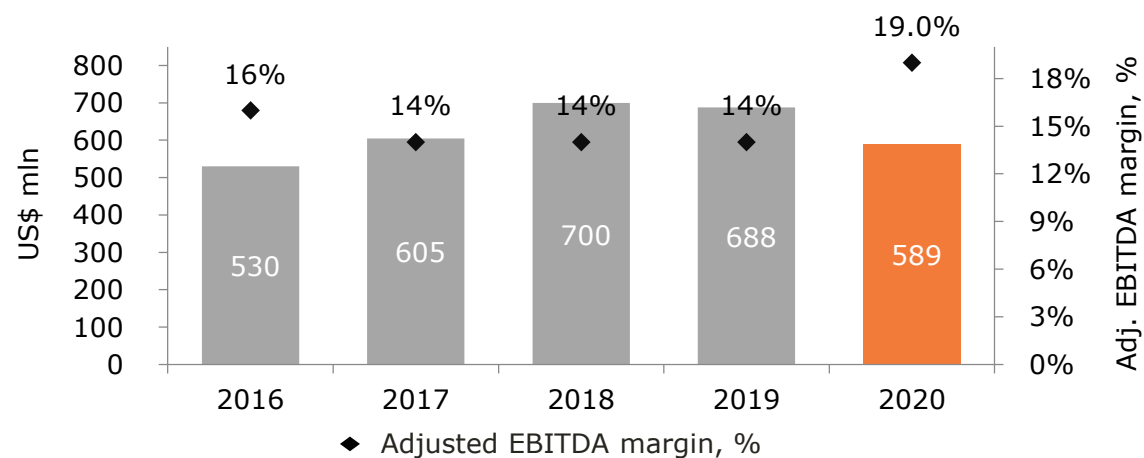
## Revenue



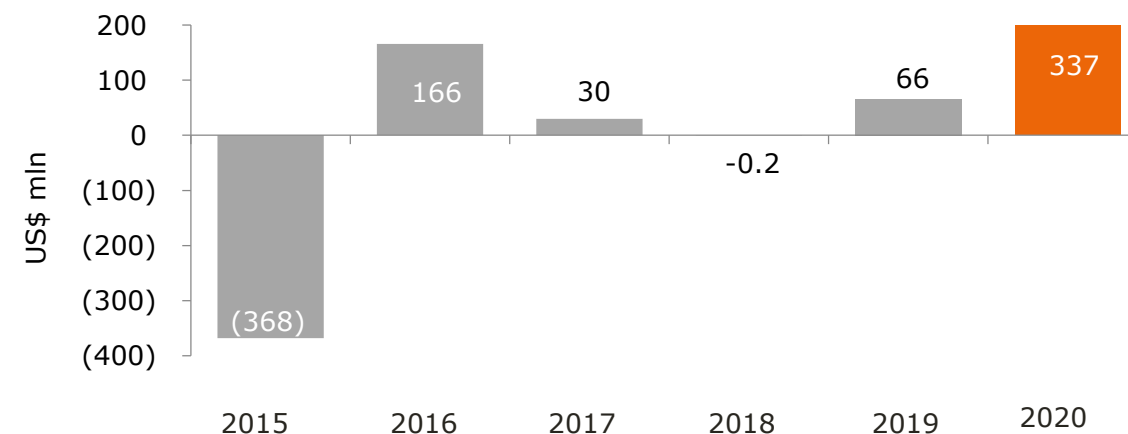
## Volumes and realised prices



## Adjusted EBITDA<sup>(b)</sup>



## Net profit



Source: TMK data 2015-2019 included IPSCO results

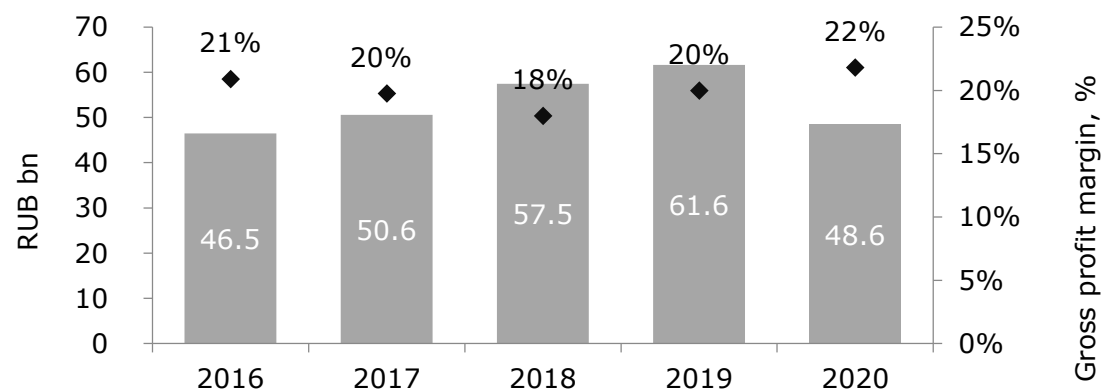
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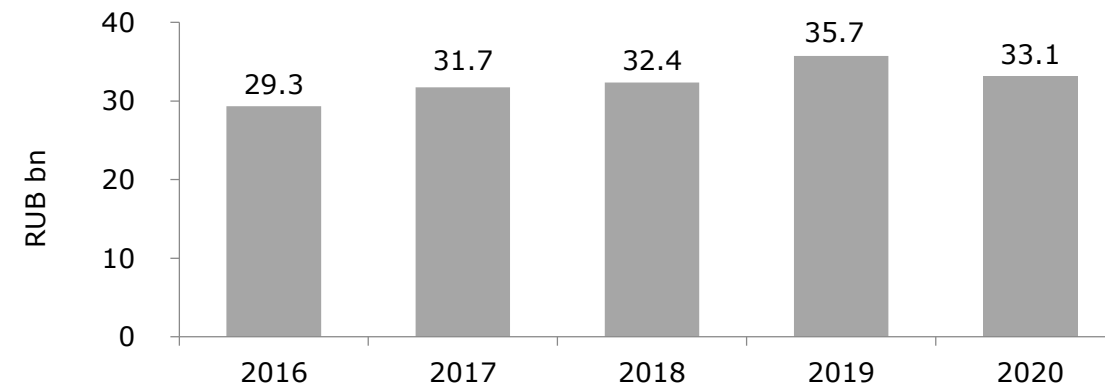
# Gross Margin, SG&A and Cash Conversion (RUB)



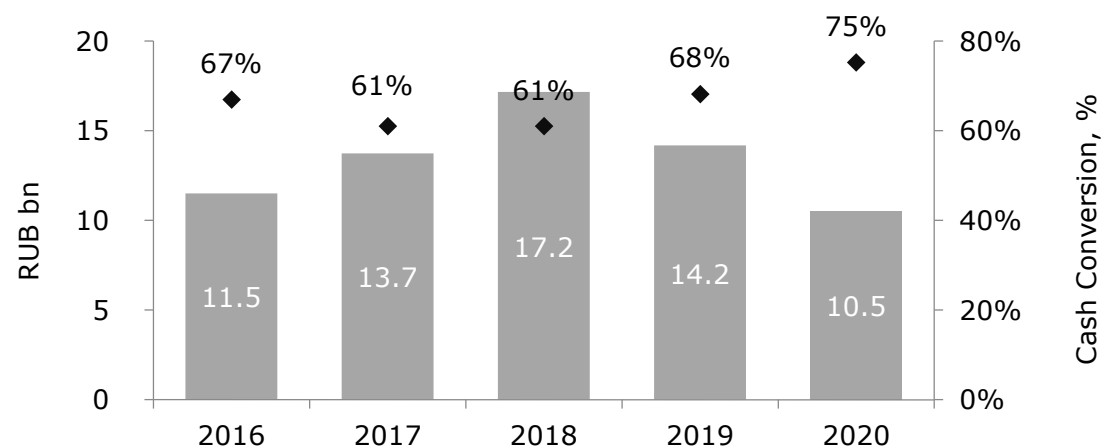
## Gross profit



## SG&A and corporate overheads<sup>(a)</sup>



## Capex and cash conversion<sup>(b)</sup>



## Key considerations

- High level of vertical integration provides better control over costs and allows to maintain resilience in margins
- Significantly optimized lean cost structure, due to stringent efficiency measures

Source: TMK data 2016-2019 included IPSCO results

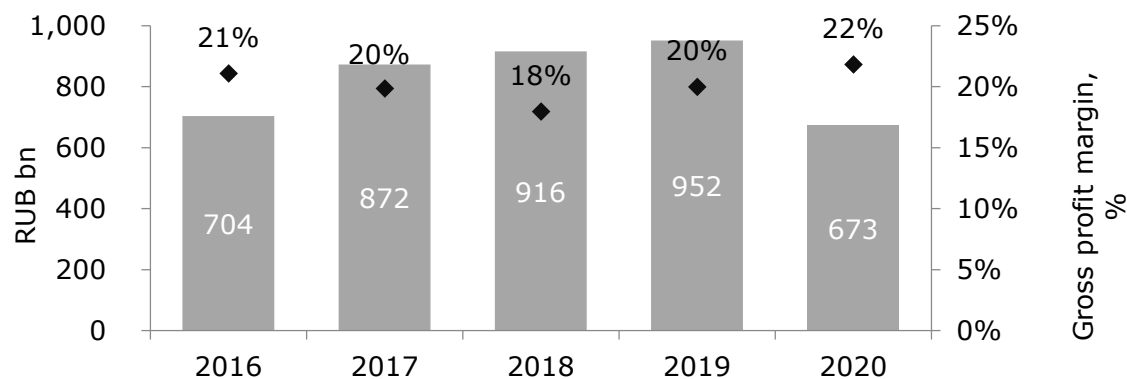
Note: (a) Based on IFRS financial statements. Calculated as Gross Profit less Operating profit

(b) Calculated as (Adjusted EBITDA - Capex) / Adjusted EBITDA. EBITDA for 2020 - in 3Q 2020, the management changed the approach to the calculation of Adjusted EBITDA. Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss (except for foreign exchange gain or loss arising on accounts receivable and payable, which is considered to be a part of operations), impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items.

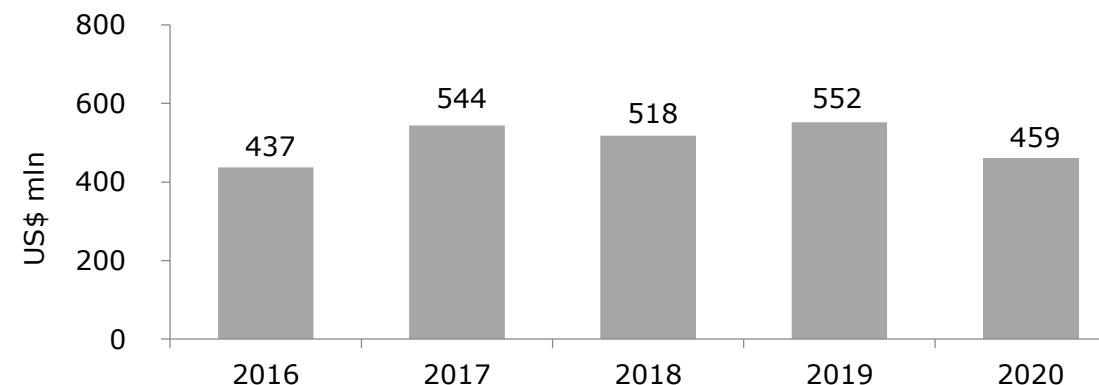
# Gross Margin, SG&A and Cash Conversion (USD)



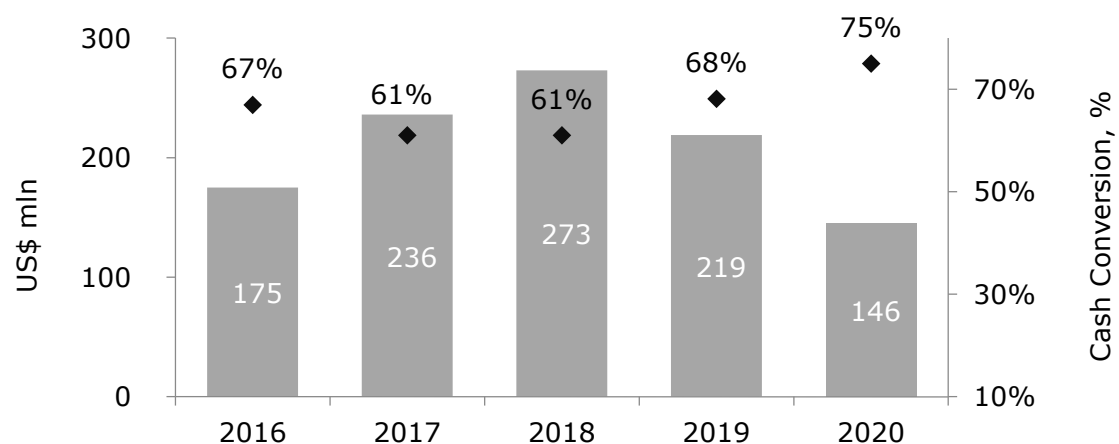
## Gross margin



## SG&A and corporate overheads<sup>(a)</sup>



## Capex and cash conversion<sup>(b)</sup>



## Key considerations

- High level of vertical integration provides better control over costs and allows to maintain resilience in margins
- Significantly optimized lean cost structure, due to stringent efficiency measures

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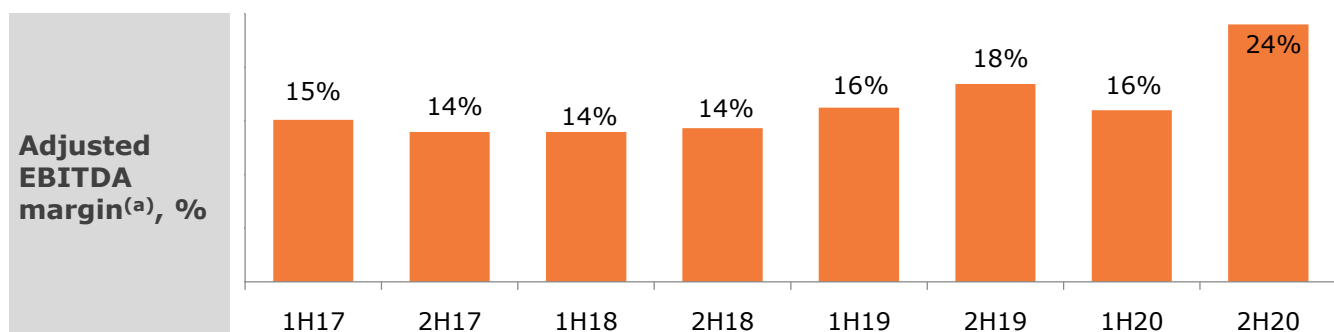
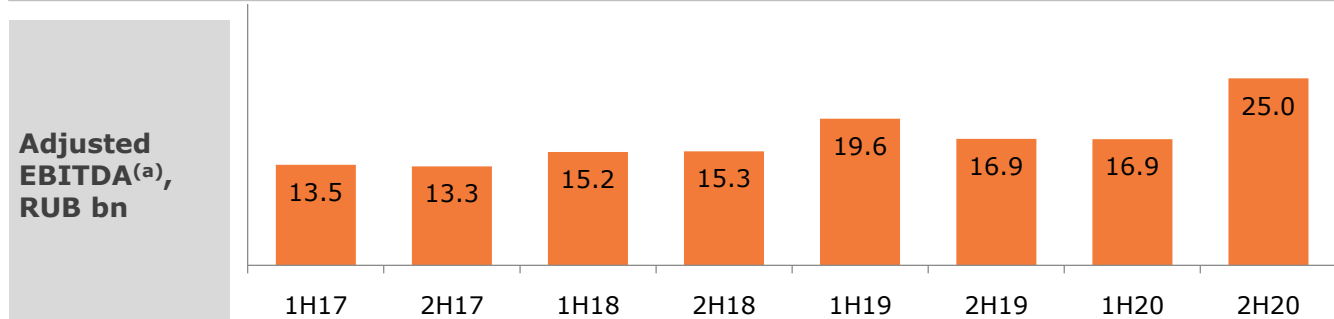
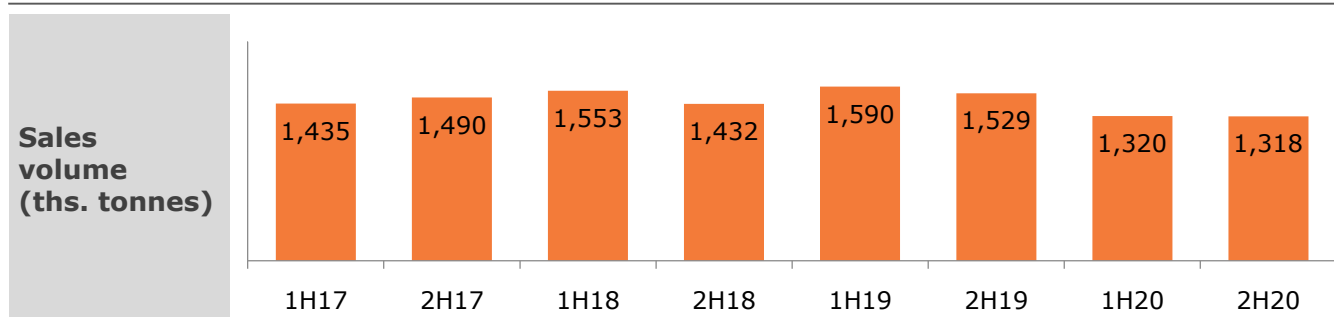
(b) Calculated as (Adjusted EBITDA - Capex) / Adjusted EBITDA. EBITDA for 2020 - in 3Q 2020, the management changed the approach to the calculation of Adjusted EBITDA. Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss (except for foreign exchange gain or loss arising on accounts receivable and payable, which is considered to be a part of operations), impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items.



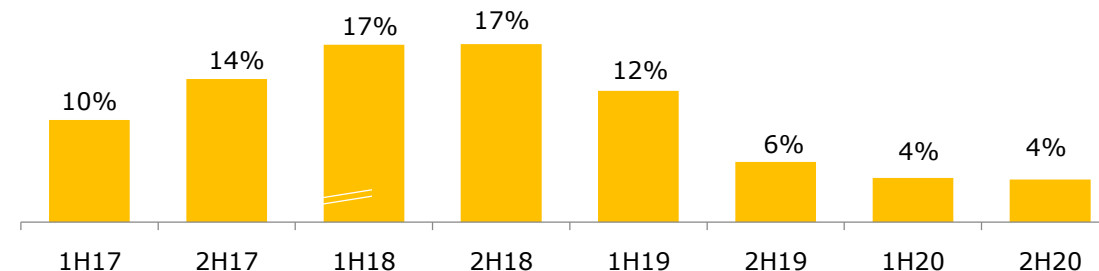
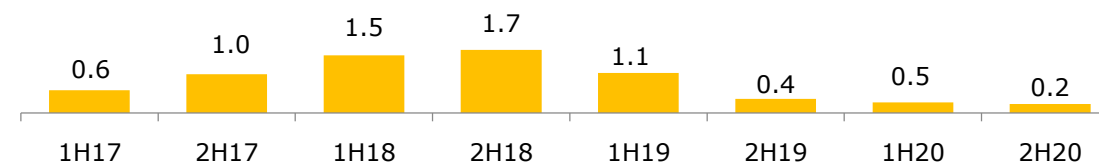
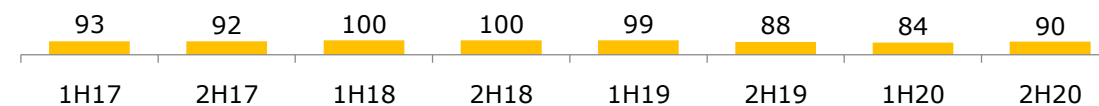
# Segmental Performance



## Russian division



## European division



Source: TMK data

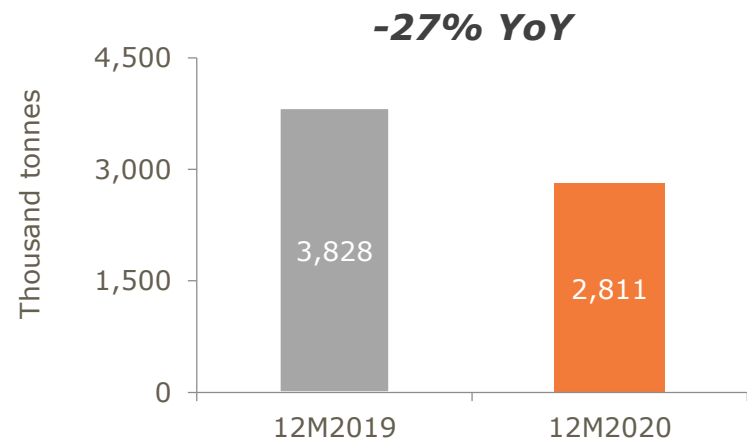
Note: (a) 2017-2019 EBITDA calculation: Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual item

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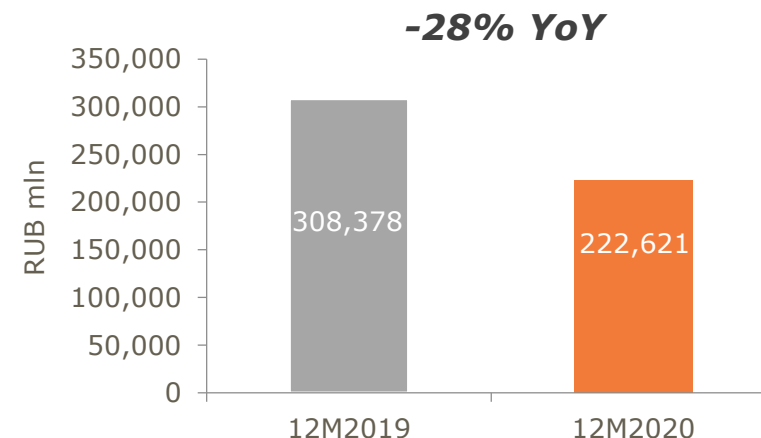
# 12M 2020 vs. 12M 2019 Summary Financial Highlights



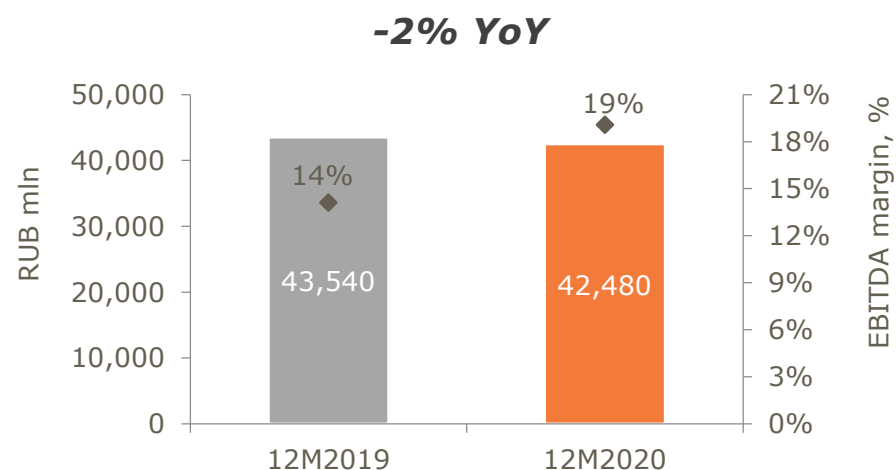
**Sales** declined YoY, reflecting the disposal of the American division and lower sales at the Russian and European divisions



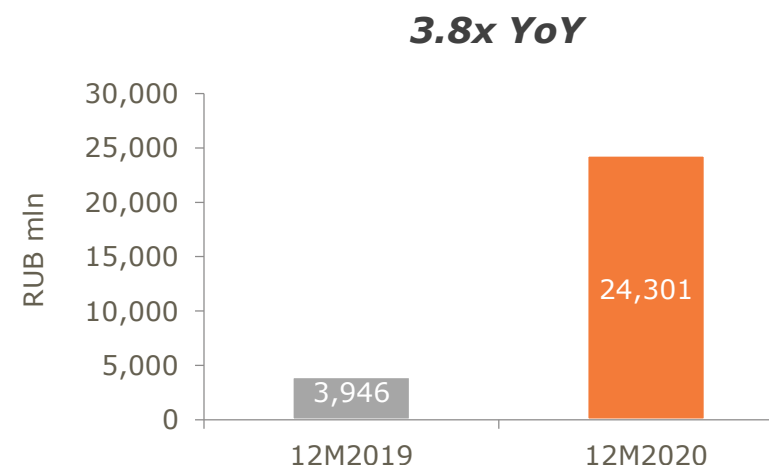
**Revenue** declined YoY, reflecting the disposal of the American division and a weaker performance at the Russian and European divisions



**Adjusted EBITDA** increased YoY, supported by a foreign exchange gain from operations



**Net profit** increased YoY, mainly due to the gain on disposal of subsidiaries recorded in 9M 2020

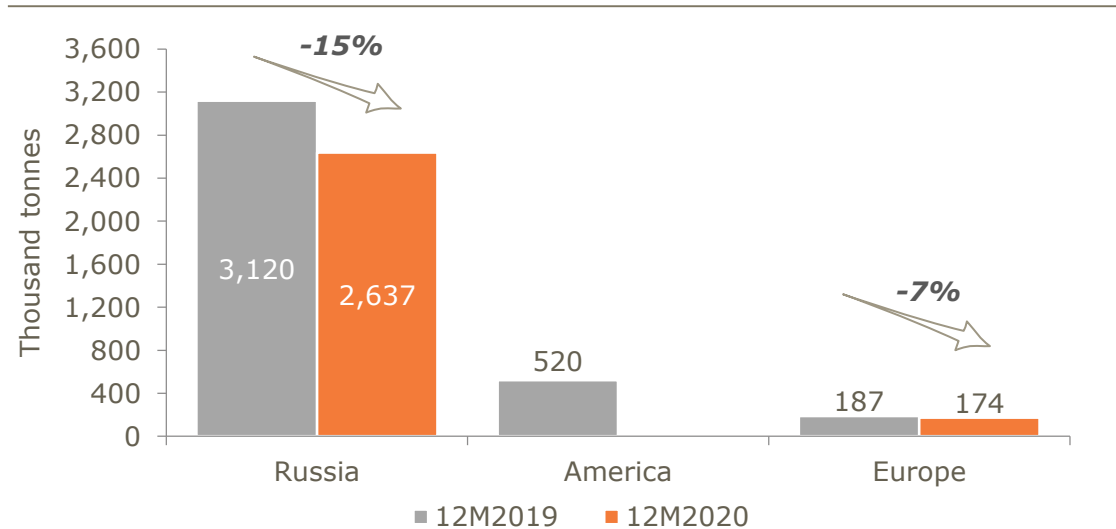


Source: TMK data

# 12M 2020 vs. 12M 2019 Sales by Division and Product Group

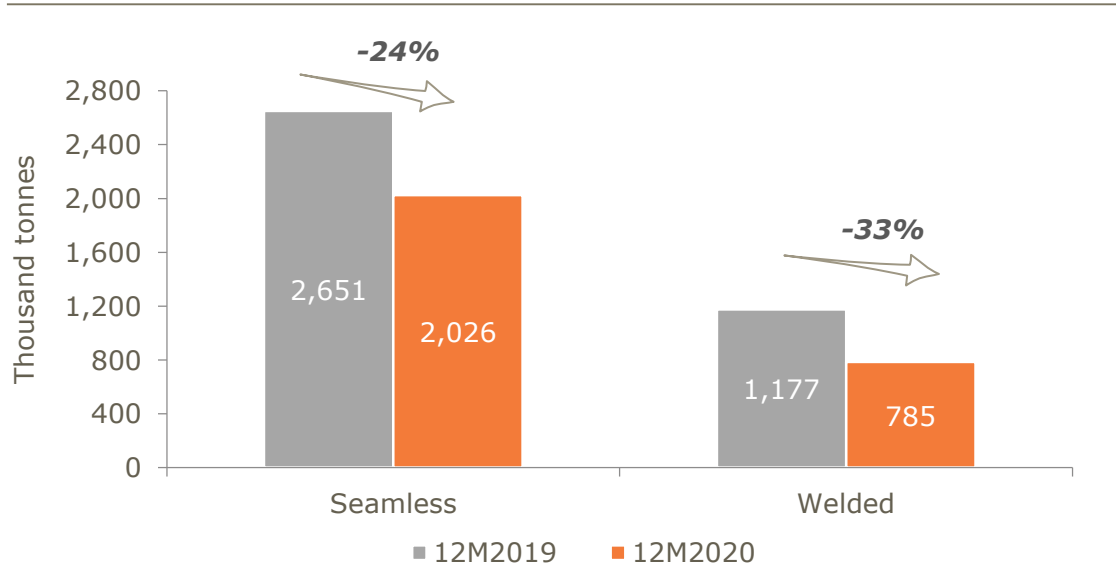


## Sales by division



- 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



## Appendix – Summary Financial Accounts

# Key Consolidated Financial Highlights



|   | (RUB mln) <sup>(a)</sup> |                |                | (US\$mIn) <sup>(a)</sup> |              |              |
|---|--------------------------|----------------|----------------|--------------------------|--------------|--------------|
|   | 2020                     | 2019           | 2018           | 2020                     | 2019         | 2018         |
| <b>Revenue</b>  | <b>222,621</b>           | <b>308,378</b> | <b>319,399</b> | <b>3,086</b>             | <b>4,764</b> | <b>5,099</b> |
| <b>Adjusted EBITDA<sup>(b)</sup></b>                        | <b>42,480</b>            | <b>43,540</b>  | <b>44,052</b>  | <b>589</b>               | <b>673</b>   | 700          |
| <i>Adjusted EBITDA Margin<sup>(b)</sup>(%)</i>              | 19%                      | 14%            | 14%            | 19%                      | 14%          | 14%          |
| Profit (Loss)   | 24,301                   | 3,946          | 2,142          | 337                      | 61           | -            |
| <i>Net Profit Margin (%)</i>                                | 11%                      | 1%             | 1%             | 11%                      | 1%           | 0%           |
| Pipe Sales ('000 tonnes)                                    | 2,811                    | 3,828          | 3,989          | 2,811                    | 3,828        | 3,989        |
| Average Net Sales/ tonne in '000 RUB or US\$ <sup>(c)</sup> | 79.196                   | 80.559         | 80.070         | 1.098                    | 1.244        | 1.278        |
| Cash Cost per tonne in '000 RUB or US\$ <sup>(d)</sup>      | 57.513                   | 61.048         | 61.530         | 0.797                    | 0.943        | 0.981        |
| Cash Flow from Operating Activities                         | 48,652                   | 38,008         | 32,876         | 674                      | 587          | 510          |
| Capital Expenditure <sup>(e)</sup>                          | 10,524                   | 14,183         | 17,175         | 146                      | 219          | 273          |
| Total Debt <sup>(f)</sup>                                   | 199,075                  | 186,058        | 199,180        | 2,695                    | 3,006        | 2,867        |
| Net Debt <sup>(f)</sup>                                     | 98,674                   | 154,931        | 169,233        | 1,336                    | 2,503        | 2,437        |
| Short-term Debt/Total Debt                                  | 37%                      | 45%            | 31%            | 37%                      | 45%          | 31%          |
| Net Debt/Adjusted EBITDA                                    | 2.32x                    | 3.56x          | 3.84x          | 2.27x                    | 3.72x        | 3.48x        |

Source: TMK Consolidated Financial Statements for 2020, 2019, 2018

(a) IFRS financials figures were rounded for the presentation's purposes. Minor differences with FS may arise due to rounding

(b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items.

(c) Sales include other operations and is calculated as Revenue divided by sales volumes tonnes

(d) Cash Cost per Tonne is calculated as Cost of Sales less Depreciation & Amortisation divided by sales volumes

(e) Purchase of PP&E investing cash flows

(f) Total Debt represents loans and borrowings less interest payable; Net Debt represents Total debt less cash and cash equivalents and short-term financial investments

# Income Statement



|                                     | (RUB mln)      |                |                | (US\$mIn)    |              |              |
|-------------------------------------|----------------|----------------|----------------|--------------|--------------|--------------|
|                                     | 2020           | 2019           | 2018           | 2020         | 2019         | 2018         |
| <b>Revenue</b>                      | <b>222,621</b> | <b>308,378</b> | <b>319,399</b> | <b>3,086</b> | <b>4,764</b> | <b>5,099</b> |
| Cost of sales                       | (174,051)      | (246,736)      | (261,915)      | (2,412)      | (3,811)      | (4,183)      |
| <b>Gross Profit</b>                 | <b>48,570</b>  | <b>61,642</b>  | <b>57,484</b>  | <b>673</b>   | <b>952</b>   | <b>916</b>   |
| Selling and Distribution Expenses   | (17,180)       | (15,372)       | (14,377)       | (238)        | (237)        | (231)        |
| General and Administrative Expenses | (547)          | (616)          | (15,767)       | (8)          | (10)         | (250)        |
| Advertising and Promotion Expenses  | (13,631)       | (17,849)       | (456)          | (189)        | (276)        | (7)          |
| Research and Development Expenses   | (147)          | (386)          | (451)          | (2)          | (6)          | (7)          |
| Other Operating Expenses, Net       | (1,614)        | (1,520)        | (1,417)        | (22)         | (23)         | (22)         |
| Foreign Exchange Gain / (Loss)      | 8,288          | 2,098          | (4,644)        | 115          | 32           | (72)         |
| Finance Costs, Net                  | (11,874)       | (14,104)       | (15,081)       | (165)        | (218)        | (232)        |
| Other                               | 18,493         | (7,866)        | (0,287)        | 256          | (122)        | (50)         |
| <b>Income / (Loss) before Tax</b>   | <b>30,358</b>  | <b>6,027</b>   | <b>5,004</b>   | <b>421</b>   | <b>93</b>    | <b>45</b>    |
| Income Tax (Expense) / Benefit      | (6,057)        | (2,081)        | (2,862)        | (84)         | (32)         | (45)         |
| <b>Net Income / (Loss)</b>          | <b>24,301</b>  | <b>3,946</b>   | <b>2,142</b>   | <b>337</b>   | <b>61</b>    | <b>(0)</b>   |

Source: TMK Consolidated Financial Statements for 2020, 2019, 2018

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.

# Statement of Financial Position



|                                      | (RUB mln)      |                |                | (US\$m ln)   |              |              |
|--------------------------------------|----------------|----------------|----------------|--------------|--------------|--------------|
|                                      | 2020           | 2019           | 2018           | 2020         | 2019         | 2018         |
| <b>ASSETS</b>                        |                |                |                |              |              |              |
| Cash and Cash Equivalents            | 73,036         | 21,899         | 27,221         | 989          | 354          | 392          |
| Accounts Receivable                  | 71,857         | 65,910         | 61,005         | 973          | 1,065        | 878          |
| Inventories                          | 61,805         | 56,281         | 74,074         | 837          | 909          | 1,066        |
| Prepayments                          | 16,860         | 9,845          | 7,028          | 228          | 159          | 101          |
| Other Financial Assets               | 7,594          | 59,555         | 28             | 103          | 962          | 13           |
| <b>Total Current Assets</b>          | <b>231,152</b> | <b>213,490</b> | <b>170,217</b> | <b>3,129</b> | <b>3,449</b> | <b>2,450</b> |
| <b>Total Non-current Assets</b>      | <b>187,947</b> | <b>138,692</b> | <b>177,446</b> | <b>2,544</b> | <b>2,240</b> | <b>2,554</b> |
| <b>Total Assets</b>                  | <b>419,099</b> | <b>352,182</b> | <b>347,663</b> | <b>5,673</b> | <b>5,689</b> | <b>5,004</b> |
| <b>LIABILITIES AND EQUITY</b>        |                |                |                |              |              |              |
| Accounts Payable                     | 51,701         | 51,782         | 51,655         | 700          | 836          | 744          |
| ST Debt                              | 74,315         | 83,244         | 62,949         | 1,006        | 1,345        | 906          |
| Other Liabilities                    | 28,759         | 32,006         | 24,018         | 389          | 517          | 345          |
| <b>Total Current Liabilities</b>     | <b>154,775</b> | <b>167,032</b> | <b>138,622</b> | <b>2,095</b> | <b>2,698</b> | <b>1,995</b> |
| LT Debt                              | 125,962        | 100,625        | 137,423        | 1,705        | 1,625        | 1,978        |
| Deferred Tax Liability               | 6,195          | 4,227          | 6,365          | 84           | 68           | 92           |
| Other Liabilities                    | 60,439         | 26,703         | 8,456          | 818          | 431          | 121          |
| <b>Total Non-current Liabilities</b> | <b>192,596</b> | <b>131,555</b> | <b>152,244</b> | <b>2,607</b> | <b>2,125</b> | <b>2,191</b> |
| <b>Equity</b>                        | <b>71,728</b>  | <b>53,595</b>  | <b>56,797</b>  | <b>971</b>   | <b>866</b>   | <b>818</b>   |
| Including Non-Controlling Interest   | 2,014          | 3,048          | 3,249          | 27           | 49           | 47           |
| <b>Total Liabilities and Equity</b>  | <b>419,099</b> | <b>352,182</b> | <b>347,663</b> | <b>5,673</b> | <b>5,689</b> | <b>5,004</b> |
| Net Debt                             | 98,674         | 154,931        | 169,233        | 1,336        | 2,503        | 2,437        |

Source: TMK Consolidated Financial Statements for 2020, 2019, 2018

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

Net Debt represents Total debt less cash and cash equivalents and short-term financial investments



# Cash Flow



|  | (RUB mln)       |                 |                 | (US\$mIn)    |              |              |
|--|-----------------|-----------------|-----------------|--------------|--------------|--------------|
|  | 2020            | 2019            | 2018            | 2020         | 2019         | 2018         |
| Profit / (Loss) before Income Tax            | -               | 30,358          | 6,027           | 421          | 93           | 45           |
| <i>Adjustments for:</i>                      |                 |                 |                 |              |              |              |
| Depreciation and Amortisation                | 12,382          | 13,043          | 16,473          | 172          | 201          | 268          |
| Net Finance Cost                             | 11,874          | 14,104          | 16,765          | 165          | 218          | 232          |
| Others                                       | (20,309)        | 9,462           | 13,384          | (281)        | 146          | 137          |
| Working Capital Changes                      | 21,859          | (,203)          | (8,538)         | 303          | (3)          | (145)        |
| <b>Cash Generated from Operations</b>        | <b>56,164</b>   | <b>42,433</b>   | <b>43,088</b>   | <b>778</b>   | <b>655</b>   | <b>537</b>   |
| Income Tax Paid                              | (7,512)         | (4,425)         | (1,674)         | (104)        | (68)         | (27)         |
| <b>Net Cash from Operating Activities</b>    | <b>48,652</b>   | <b>38,008</b>   | <b>32,876</b>   | <b>674</b>   | <b>587</b>   | <b>510</b>   |
| Capex  | (10,524)        | (14,183)        | (17,175)        | (146)        | (219)        | (273)        |
| Acquisitions                                 | (14,439)        | -               | -               | (200)        | -            | -            |
| Others                                       | 55,106          | (9,308)         | 1,077           | 764          | (144)        | 18           |
| <b>Net Cash Used in Investing Activities</b> | <b>30,143</b>   | <b>(23,491)</b> | <b>(16,098)</b> | <b>418</b>   | <b>(363)</b> | <b>(255)</b> |
| Net Change in Borrowings                     | (1,426)         | (3,312)         | (2,040)         | (20)         | (51)         | (46)         |
| Others                                       | (38,455)        | (14,776)        | (18,666)        | (533)        | (228)        | (305)        |
| <b>Net Cash Used in Financing Activities</b> | <b>(39,881)</b> | <b>(18,088)</b> | <b>(20,706)</b> | <b>(553)</b> | <b>(279)</b> | <b>(351)</b> |
| Net Foreign Exchange Difference              | 11,998          | (1,526)         | 2,857           | 116          | 20           | (4)          |
| Cash and Cash Equivalents at Jan 1           | 22,124          | 27,221          | 28,292          | 357          | 392          | 491          |
| <b>Cash and Cash Equivalents at YE</b>       | <b>73,036</b>   | <b>22,124</b>   | <b>27,221</b>   | <b>1,012</b> | <b>357</b>   | <b>392</b>   |

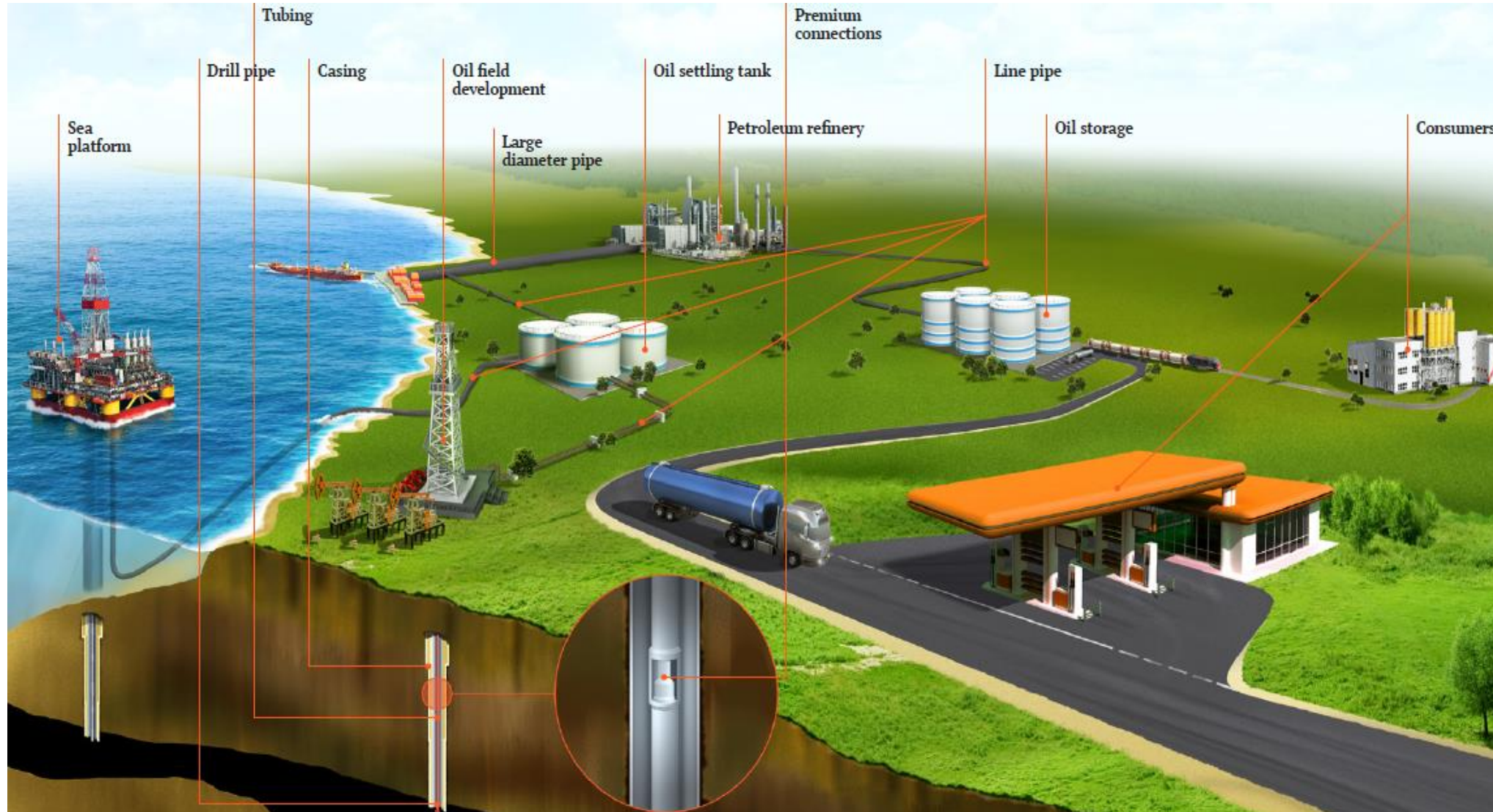
Note: Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums

Source: TMK Consolidated Financial Statements for 2020, 2019, 2018



## Appendix – TMK Products

# Utilisation of TMK Pipe Products in Oil and Gas Industry



- **OCTG** – Oil Country Tubular Goods (drilling, casing, tubing) used for oil & gas exploration, well fixing and oil & gas production
- **Line pipe** – used for short distance transportation of crude oil, oil products and natural gas
- **LDP** - large diameter pipe used for construction of trunk pipeline systems for long distance transportation of natural gas, crude oil and petroleum products

# Wide Range of Products and Services



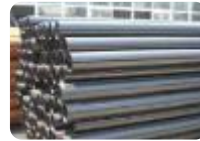
## Seamless



**OCTG**

Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.

## Welded



**Line Pipe**

The short-distance transportation of crude oil, oil products and natural gas.

## Premium Threads



**Premium Connections (TMK UP)**

Premium connections are proprietary value-added products used to connect OCTG pipes and are used in sour, deep well, off-shore, low temperature and other high-pressure applications.



**Line Pipe**

The short-distance transportation of crude oil, oil products and natural gas.



**Large-Diameter**

Construction of trunk pipeline systems for the long distance transportation of natural gas, crude oil and petroleum products.

## Oilfield Services

Well equipment precision manufacturing, tools' rental, supervising, inventory management, threading and coating services.



**Industrial**

Automotive, machine building, and power generation sectors.



**Industrial**

Wide array of applications and industries, including utilities and agriculture.

## Fittings and Bends



The pipeline fittings represent set of the devices installed on pipes and allowing to regulate liquid stream.

## Industrial Valves



Pipeline valves with a specialization in integrated pipeline transport solutions.



# Premium Solutions: TMK UP Series



- Gas wells
- Higher pressure
- Steam-Assisted Gravity Drained (SAGD)
- Offshore
- When casing is rotated and pushed into place
- Oil wells with high gas-oil ratio

## Solutions for complex projects

- Kirinskoye Gas and Condensate Field
- Yamal LNG, Sakhalin II
- Yuzhno-Kirinskoye Gas and Condensate Field
- Kovyktinskoye gas and condensate field
- Chayandinskoye oil, gas and condensate field
- Offshore projects of the Caspian Sea

### Lite Series



Higher resistance to torque for casing while drilling and rotating

### Classic Series



Easy and reliable make-up

### Professional Series



Ability to withstand high tension, compression and bending loads at excessive internal and external pressure

### Special Series



For complex operations: deviated wells; conductor pipe; SAGD wells

# High-tech OCTG Pipe Decisions for Oil & Gas Industry



**TMK UP™  
CWB**



**TMK UP™  
Magna**



**TMK UP™  
GF**



**TMK UP™  
FMC**



**TMK UP™  
FMT**



**TMK UP™  
PF**

**CAL IV**



**TMK UP™  
PF ET**

**CAL IV**




**TMK UP™  
CENTUM**

**CAL IV**



- Onshore and offshore fields
- High H<sub>2</sub>S and CO<sub>2</sub> concentrations
- High temperatures
- Arctic environment

- Horizontal and directional drilling
- Drilling with casing
- Steam-Assisted Gravity Drainage (SAGD)
- GREENWELL lubricant-free connections 

## **TMK Investor Relations**

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**Premium connections  
TMK UP**

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