



REINVIGORATING OUR BUSINESS

ANNUAL REPORT

2019

APPROVED
by the Board of Directors
of PAO TMK
on April 23, 2020
(Minutes No. 20 dated April 24, 2020)

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COMPANY AT A GLANCE



TMK PROFILE

TMK is one of the world's leading producers and suppliers of steel pipe for the oil and gas industry.

TMK Group is an advanced vertically integrated manufacturer and supplier of competitive high-tech tubular products, with an extensive sales network and expertise in shipping its products to customers in over 80 countries. With its unique production and service capabilities TMK supplies a wide range of customers, offering effective solutions to their operational challenges.

The Company was founded in 2001 and currently (as at the date of this Report) operates over ten production assets in Russia, Romania and Kazakhstan. TMK's core business is the production and sales of seamless and welded pipe, including large diameter pipe, pipe with premium connections, combined with

an extensive range of services in heat treatment, protective coating, premium connections threading, pipe storage and repair.

TMK comprises four Russian production sites – Volzhsky Pipe Plant, Seversky Pipe Plant, Sinarsky Pipe Plant and Taganrog Metallurgical Works (TAGMET), as well as TMK-ARTROM and TMK-RESITA in Romania. The Company also owns four oilfield service assets in Russia, which form the TMK Oilfield Services division, as well as TMK-Kaztrubprom (Kazakhstan). TMK has several trading companies and representative offices located in Russia, Europe, the USA, the UAE and other countries.

TMK's research efforts are spearheaded by the Russian Research Institute of the Tube & Pipe Industries (ROSNITI) located

in Chelyabinsk, Russia. The center focuses on new product design and development, experimental and validation testing and advanced research. In late 2019, to foster innovation and boost its R&D potential, the Company launched a new R&D facility in the Skolkovo Innovation Center located in Moscow, Russia.

In January 2020, PAO TMK closed the sale of 100% of the shares of IPSCO Tubulars Inc. to Tenaris. The transaction was in line with TMK's current strategy of reducing the Group's leverage through monetizing its international assets. The consideration received by TMK amounted to \$1.067 billion*.

The Company's securities are traded on the Moscow Exchange and London Stock Exchange under tickers "TRMK RM" and "TMKS LI".

72%

share of the Russian premium connections market

No. 1

in Russia by sales of tubular products

63%

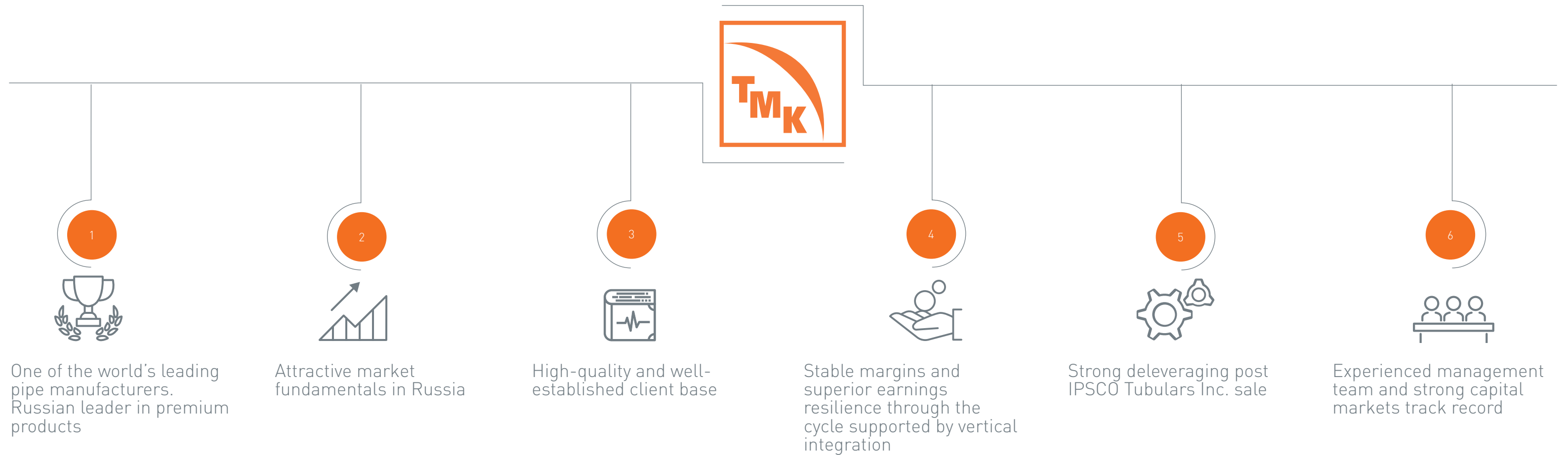
share in the seamless OCTG segment in Russia

23%

share of the Russian pipe market

* Estimated as of the closing date, January 02, 2020.

KEY INVESTMENT HIGHLIGHTS

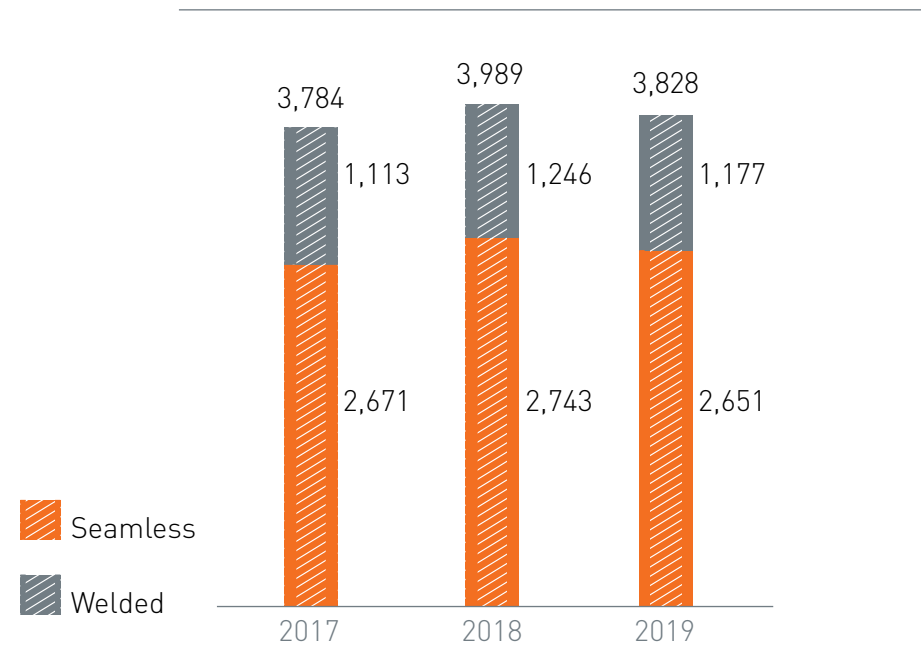


KEY INDICATORS

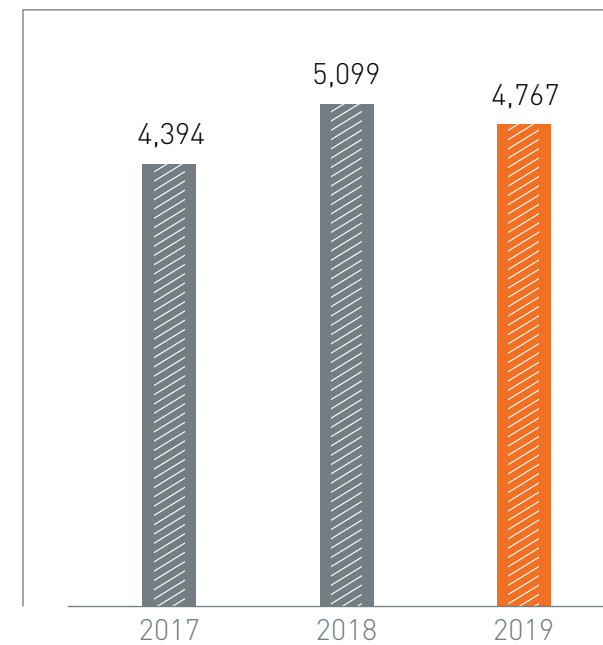
4,767

Revenue in 2019 in \$ million

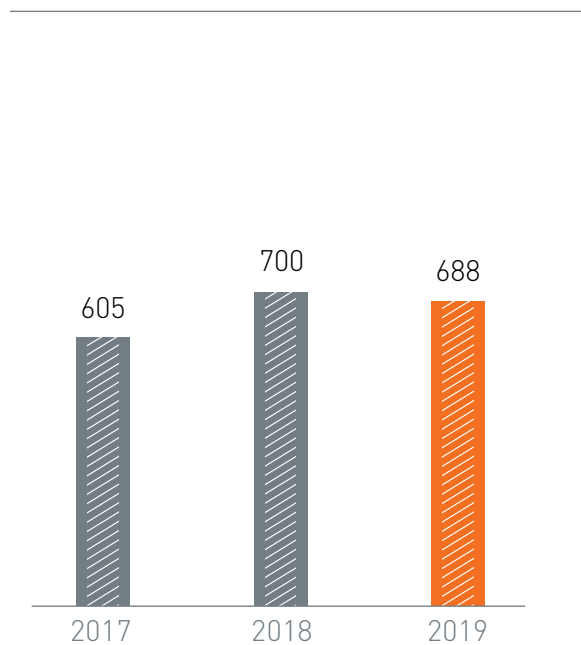
Sales, thousand tonnes



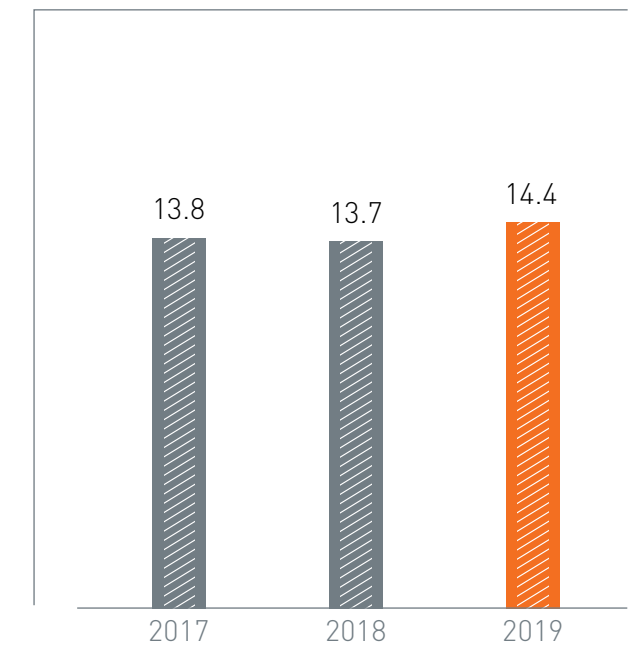
Revenue, \$ million



Adjusted EBITDA, \$ million



Adjusted EBITDA margin, %

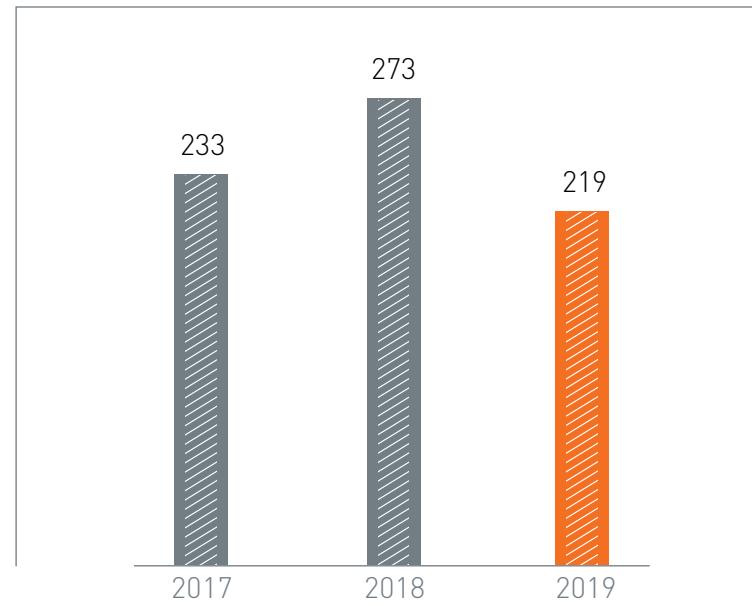


Note: Certain monetary amounts, percentages and other figures included in the Annual report are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.

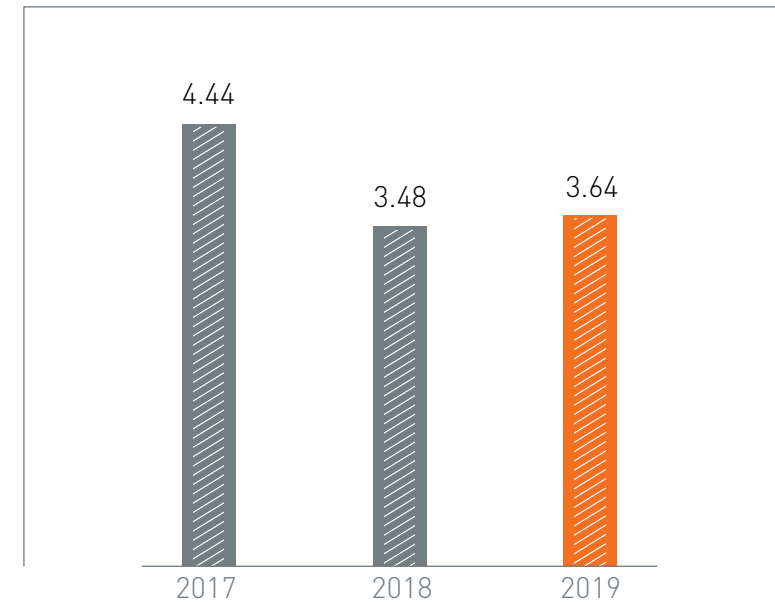
688

EBITDA in 2019 in \$ million

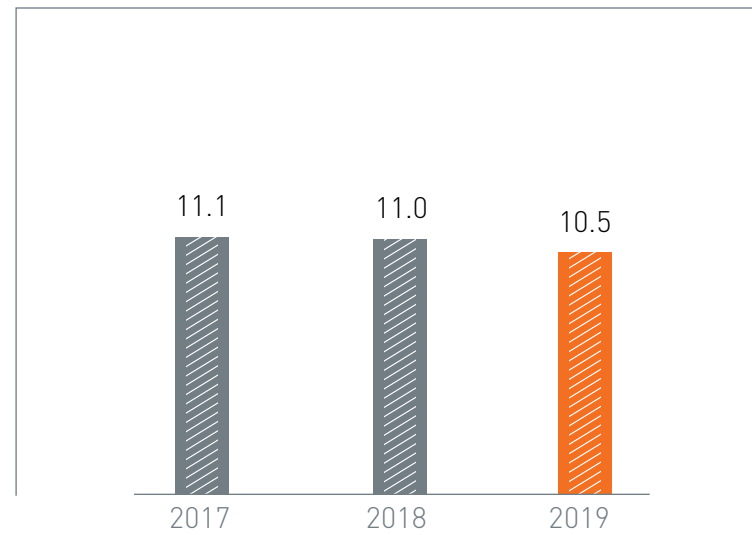
Investments, \$ million



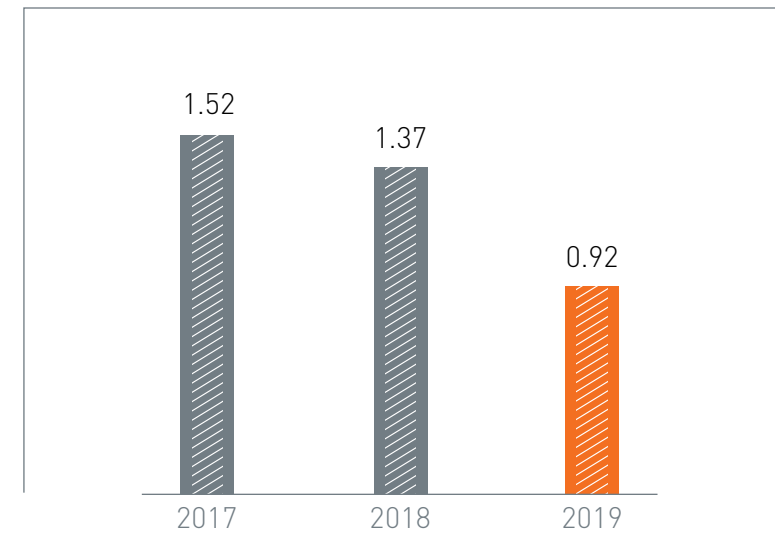
Net debt/EBITDA



Total pollutant emissions, thousand tonnes



Accident frequency rate



RATINGS

Credit ratings

	S&P Global	Moody's	RAEX (Expert RA)
Long-term credit rating	BB-	B1	
Outlook	Negative	Positive	Stable
Long-term credit rating, national scale	-	-	ruA
Last revised	20/04/2020	01/22/2020	15/04/2020

For more details on credit ratings, see Company's Securities on p. 50

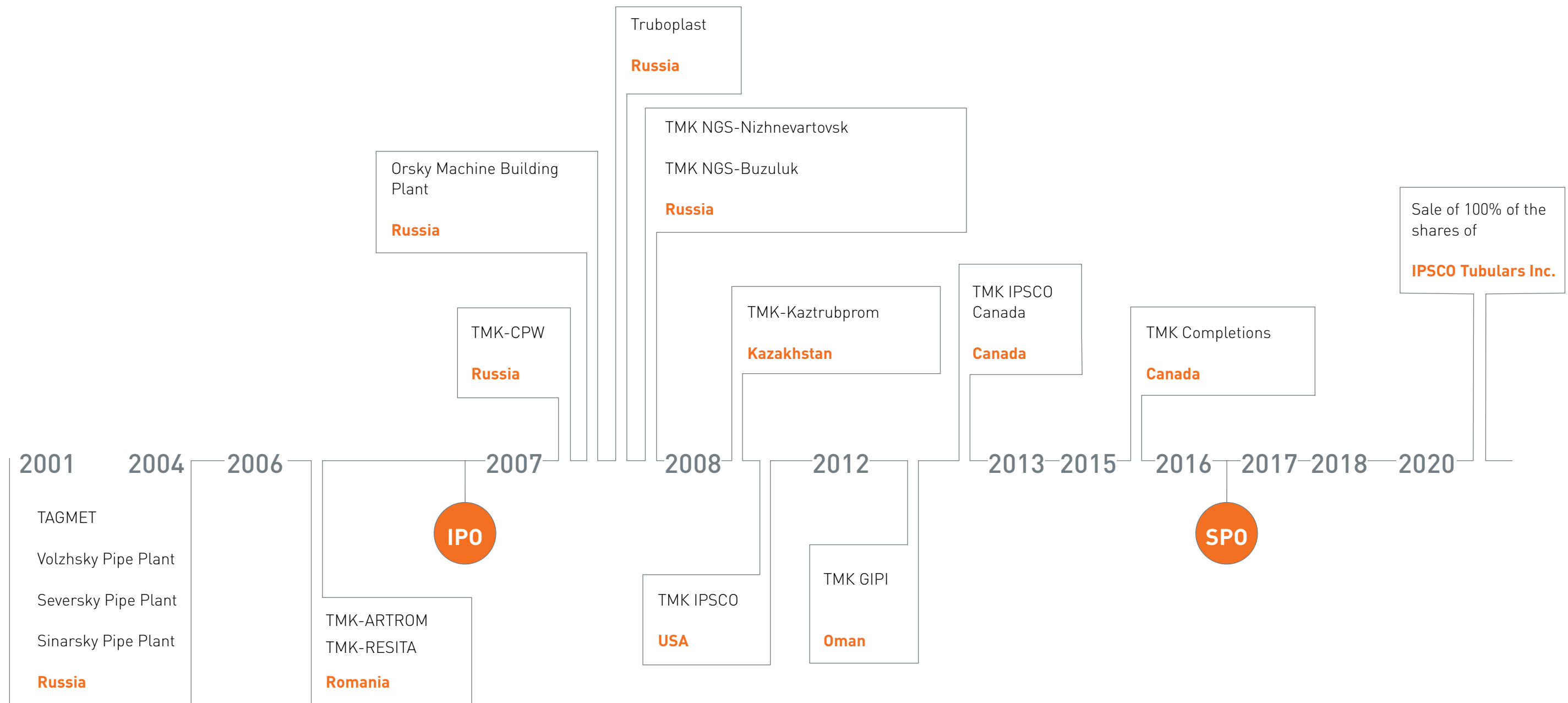
ESG ratings

In May 2019, the Group's MSCI ESG (Environmental, Social and Governance) rating was upgraded from "B" to "BB".



In January 2020, ISS assigned the Group a score of 2 for governance, 6 for social score and 4 for environmental (on a scale from 1 to 10, where 1 indicates the lowest risk and 10 indicates the highest risk).

TMK GROUP'S GROWTH HISTORY



Note: TMK's growth history is presented without taking into account the disposal of certain assets and a decrease in ownership.

TMK GROUP'S ASSET STRUCTURE AND GEOGRAPHY

As at December 31, 2019, TMK operated more than 20 production sites in Russia, the USA, Canada, Romania and Kazakhstan, as well as two R&D centers in Russia and one R&D center in the USA.

On January 02, 2020, PAO TMK closed the sale of 100% of the shares of its US subsidiary, IPSCO Tubulars Inc., to Tenaris. Following the transaction, TMK Group now comprises its Russian and European divisions represented by more than ten production assets located in Russia, Romania and Kazakhstan, two R&D centers in Russia, as well as trading companies in Russia, Europe, the USA and the UAE.

NORTH AMERICA

- 01 TMK Industrial Solutions
- 02 TMK Overseas

EUROPE

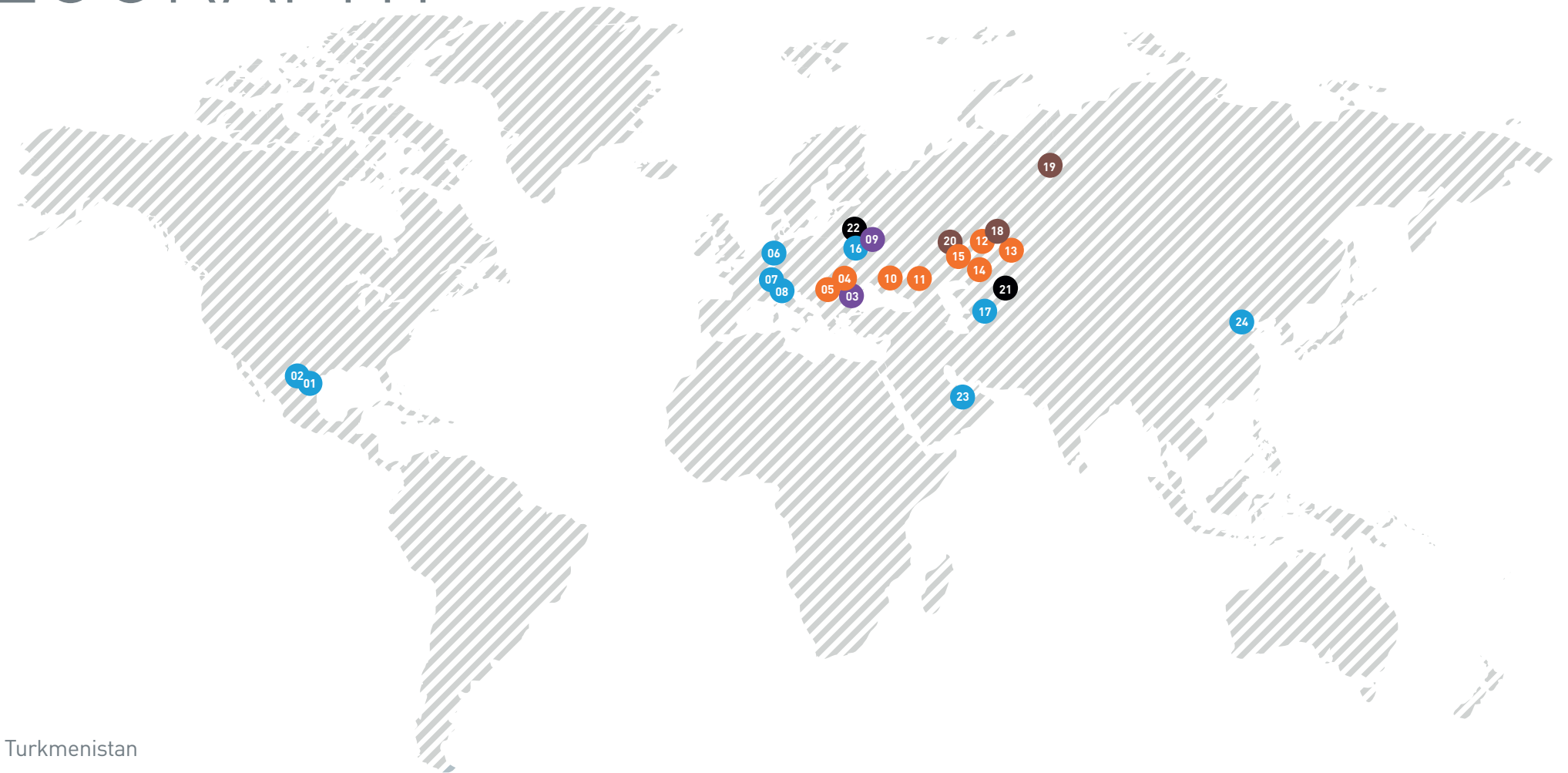
- 03 TMK-ARTROM Headquarters (TMK European division)
- 04 TMK-ARTROM
- 05 TMK-RESITA
- 06 TMK Europe, Germany
- 07 TMK Global, Switzerland
- 08 TMK Italia, Italy

RUSSIA AND THE CIS

- 09 TMK Headquarters
- 10 TAGMET
- 11 Volzhsky Pipe Plant
- 12 Seversky Pipe Plant, TMK-CPW
- 13 Sinarsky Pipe Plant, TMK-INOX
- 14 Orsky Machine Building Plant
- 15 Orsky Machine Building Plant
- 16 Trade House TMK
- 17 Representative Office of TMK in Turkmenistan
- 18 Truboplast
- 19 TMK NGS-Nizhnevartovsk
- 20 TMK NGS-Buzuluk
- 21 ROSNITI
- 22 R&D facility in Skolkovo

MIDDLE EAST, ASIA AND AFRICA

- 23 TMK Middle East, UAE
- 24 Representative Office of Trade House TMK in China



* The Russian division represents the results of operations and financial position of plants located in the Russian Federation, a finishing facility in Kazakhstan, oilfield service companies in Russia and traders located in Russia, the United Arab Emirates and Switzerland.

** The European division represents the results of operations and financial position of plants located in Romania and traders located in Italy and Germany.

Note: Asset geography as at the date of this Annual Report.

- Management
- Production
- Sales
- Oilfield services
- Research and development

STRATEGIC REPORT

< DIGITAL TWINS

RESEARCH AND DEVELOPMENT

COMPREHENSIVE SOLUTIONS

LETTER TO SHAREHOLDERS



Dmitry Pumpyanskiy,
Chairman of PAO TMK's Board of Directors

Dear Shareholders,

In many respects, 2019 marked a watershed moment for TMK. During the year, the Company radically transformed its structure and changed its business approach, while continuing to diversify its trading and production segments. Through the opening of a new R&D center in Skolkovo, we also remained focused on developing our range of high-tech products to consistently meet demand from our major customers, as well as to strengthen our R&D expertise and ability to develop innovative solutions.

In 2019, TMK maintained its position as one of the leading suppliers to the global pipe market, despite challenges in the North American and European markets. The Company shipped 3.8 million tonnes of pipe, including 1.8 million tonnes of OCTG, ramping up its share in the global seamless OCTG market from 13% in 2018 to 15% in 2019. TMK remains the dominant manufacturer of tubular products for the Russian oil and gas industry (at the end of the reporting year, our share in the seamless OCTG segment amounted to 63%), as well as the largest manufacturer of premium connections (72% of the Russian market).

Our Russian division delivered a strong year-on-year performance in 2019, achieving a 5% increase in total sales, supported by stable demand for OCTG (up 3% year-on-year) and strong sales of large-diameter pipes (up 54% year-on-year). As hydrocarbon production

projects across the globe became increasingly complex, shipments of premium threaded connections by the Russian division were up 15% year-on-year, reflecting growing demand for our unrivalled premium product line. All this has substantially improved the financial results of our Russian division for 2019, with revenue up by 6%, adjusted EBITDA up by 31% and adjusted EBITDA margin up by 3 p.p. to 17%.

The pivotal strategic decision of 2019 was the 100% sale of TMK's US subsidiary, IPSCO Tubulars Inc., to Tenaris. This move was in line with the Company's strategy of reducing its leverage by monetizing international assets, and has reshaped our footprint. The transaction was closed in early January, while the proceeds have already helped deleverage the Company. At the same time, TMK will maintain its presence in the North American market through a six-year master agreement, under which Tenaris will be the exclusive distributor of TMK's OCTG and line pipe products in the United States and Canada.

During 2019, TMK ramped up the production and R&D capabilities of its Russian division. For example, Seversky Pipe Plant continued the construction of a new 300 ktpa pipe heat treatment facility, which was launched in late January 2020. The facility will increase our output of premium tubular solutions, primarily for developing hard-to-recover reserves, and operating

LETTER TO SHAREHOLDERS



Igor Korytko,
CEO of PAO TMK

in aggressive environments and challenging climatic conditions. About RUB 5.5 billion was invested in the project, with 110 new jobs created.

In the autumn of 2019, we commissioned our state-of-the-art R&D facility in the Skolkovo Innovation Center, boasting a unique set of equipment designed primarily for development, digital modeling and complex testing of innovative materials, structures and technologies. As the first of its kind in Russia, the new R&D facility will cement TMK's leadership in pipe innovation. It is also only the world's fifth facility to feature a similar set of test benches and equipment.

In 2019, TMK made further progress on efficiency improvements, business transformation and digitalization. The Company has been consistently deploying digital solutions across its operations, while developing corporate IT systems and IT infrastructure.

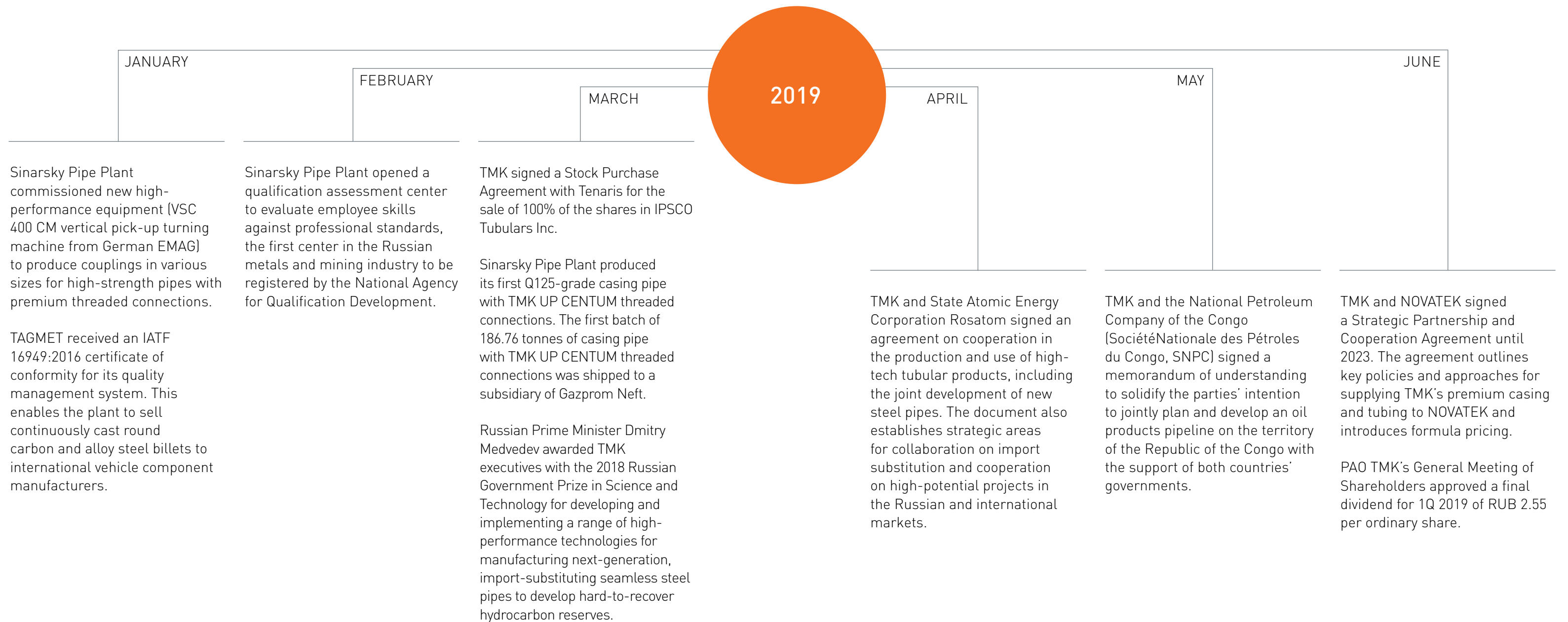
TMK places a particular emphasis on developing a customer-focused approach, including by giving more ownership to horizontal sales departments. The Company has seen a paradigm shift in its market approach: we no longer consider ourselves as just a provider of unique solutions, but now as a provider of global customer services.

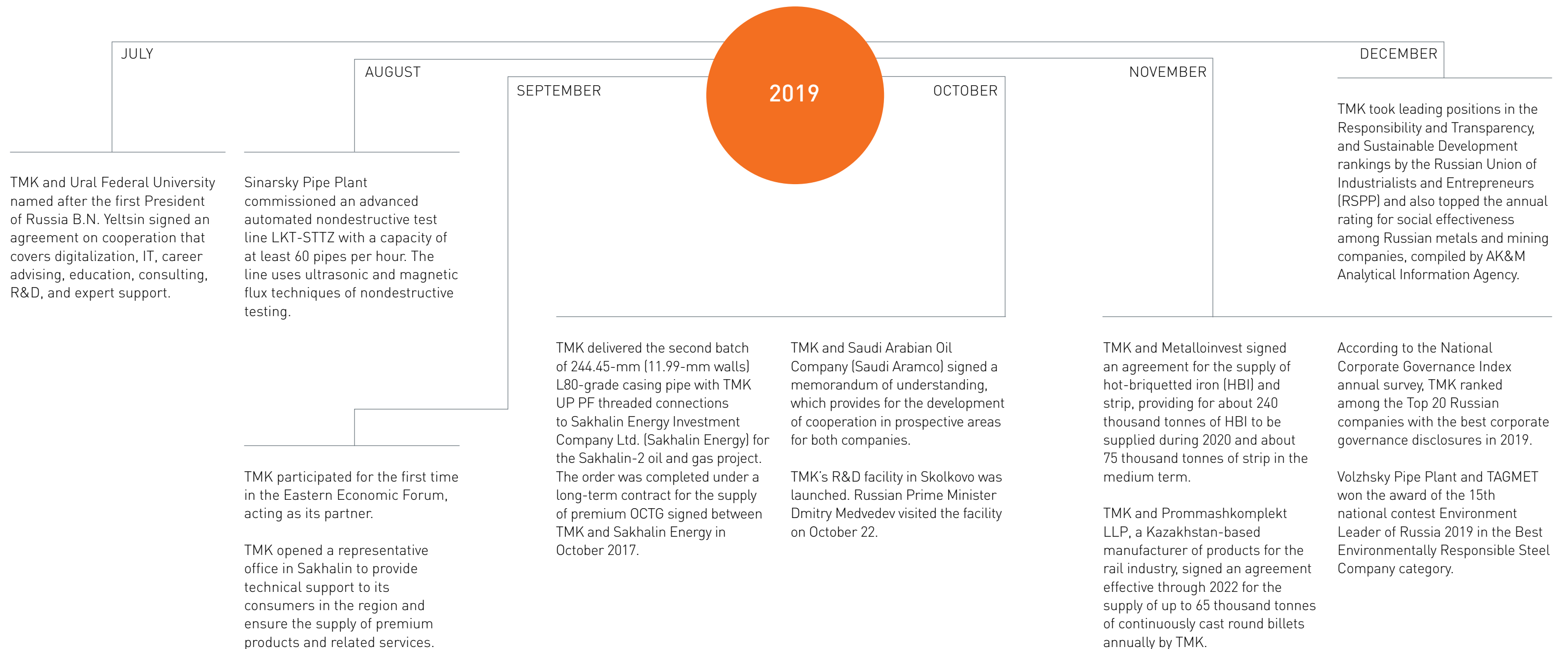
Last year, we stepped up our efforts to limit the environmental impact of our operations, by adopting a new, more ambitious Environmental Policy, focused not only on mitigating our environmental impact, but also on expanding our local environmental projects, while offering increasingly greener products. In 2019, the Company's environmental expenditures totaled almost \$37 million, with a total of 23 environmental projects implemented.

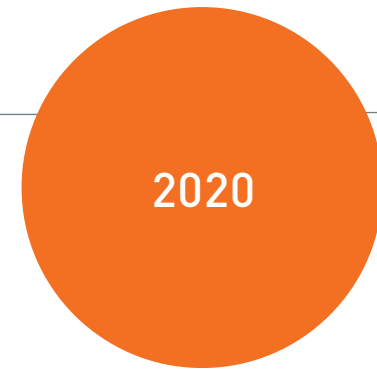
The Company continued to roll out a number of measures to improve working conditions and occupational safety across its operations and achieved a 33% improvement in its accident frequency rate year-on-year across the Group, with no work-related fatalities reported during the year.

TMK is entering 2020 reinvigorated. Our business is better focused and has a strengthened technology foundation that will help us leap forward. It is evident that 2020 will be a challenging year for the entire world, but we will continue to build on our track-record of efficiency improvements, strengthen our governance, invest in employee development, further enhance our product offering, improve our customer focus, and eventually increase shareholder value despite all of these early headwinds.

KEY HIGHLIGHTS







JANUARY

FEBRUARY

APRIL

On January 02, TMK closed the sale of 100% of the shares of IPSCO Tubulars Inc., a deal aligned with TMK's current strategy. The proceeds from the deal will ensure TMK's stability and further development.

Following the closing of the deal, the parties entered into a six-year master agreement whereby Tenaris will be the exclusive distributor of TMK's OCTG and line pipe products in the United States and Canada.

TMK and Sakhalin Energy agreed on a joint program outlining and scheduling technical measures to enhance customer service and technical support for tubular product supplies for the Sakhalin-2 project. The measures include storage and maintenance of the tubulars supplied for the project.

Seversky Pipe Plant launched a new heat treatment facility with an annual capacity of up to 300 thousand tonnes of pipe. The facility will produce premium pipe products for use in developing hard-to-recover deposits as well as drilling in aggressive environments and in the Far North. Investments in the project totaled about RUB 5.5 billion, with 110 new jobs created.

On January 22, 2020, Moody's Investors Service (Moody's) changed the outlook on TMK's credit rating from stable to positive and affirmed the Company's "B1" corporate family rating.

On January 29, 2020, S&P Global Ratings upgraded TMK's credit rating from "B+" to "BB-" with a stable outlook.

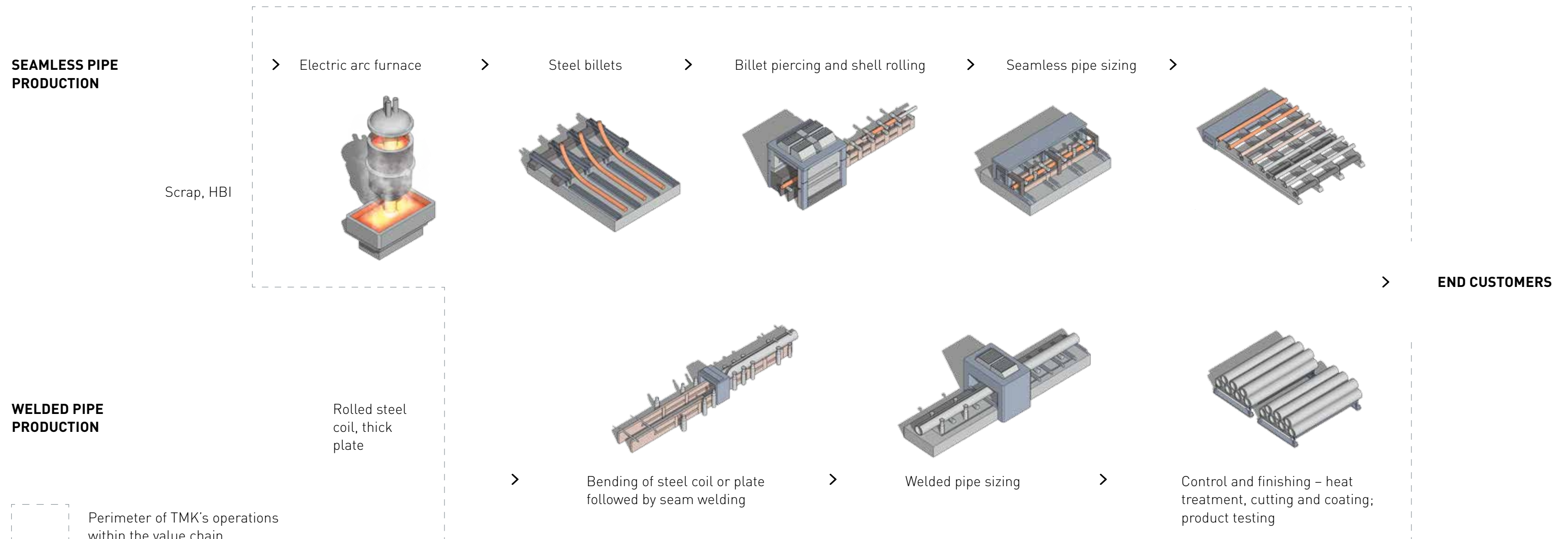
PAO TMK completed a \$500 million seven-year Eurobond issue with a coupon of 4.3%.

On April 03, 2020, TMK fully redeemed its Eurobond issue maturing in April 2020. The nominal value of the redeemed Eurobond was \$500 million.

VALUE CHAIN

TMK IS A VERTICALLY INTEGRATED STEEL PIPE MANUFACTURER

SIMPLIFIED VALUE CHAIN



The Company is more than 90% self-sufficient in steel billets. With its own steel billet production capacity, TMK is less reliant on third-party suppliers and is better positioned to control the costs of finished products and ensure the quality of steel used to manufacture its tubular products.

Three of the Company's four Russian pipe plants have their own steelmaking facilities and manufacture steel billets for seamless pipe. Although Sinarsky Pipe Plant does not have a steelmaking capacity, 80% of its steel billet needs are covered by three TMK Group plants (Volzhsky Pipe Plant, Seversky Pipe Plant and TAGMET) and the rest – by the largest Russian metallurgical companies.

The European division's steel billet production capacity is represented by TMK-RESITA in Romania, which supplies almost all its billets to TMK-ARTROM plant given its relative proximity.

The Company is more than **90%** self-sufficient in steel billets for seamless pipe



To supply scrap and HBI to its smelters at TMK's Russian plants, the Company partners with major scrap companies and Metalloinvest, purchasing most of its scrap on the spot market. In 2019, TMK and Metalloinvest signed an agreement for the purchase of about 240 thousand tonnes of HBI, effective through 2020, which includes a pricing formula based on international and domestic Russian market indicators for raw material prices. The HBI to TMK's plants will be supplied from Lebedinsky GOK. The contract enables TMK to diversify sourcing and reduce the risks associated with the scrap market volatility.

Currently, the main suppliers of raw materials for TMK's welded pipe production are:

- steel plate – MMK, Severstal, Salzgitter, Metalloinvest and Nippon Steel
- hot rolled coil – MMK, NLMK, Severstal and ArcelorMittal Temirtau.

Plates and coils are supplied mainly under framework agreements for one to three years, renewable annually. They are based on formula pricing that factors in the costs of base materials, production costs, inflation rate and fluctuations in the rouble exchange rate. The price can be reviewed on a monthly or quarterly basis subject to the specific contract terms.

STRATEGY AND PRINCIPAL ACTIVITIES

IN SEPTEMBER 2017, TMK'S BOARD OF DIRECTORS APPROVED THE COMPANY'S STRATEGY UNTIL 2027.

STRATEGIC OBJECTIVES

To solidify TMK's position as a leading supplier to the global OCTG market and the dominant supplier to the Russian oil and gas market



To improve business efficiency and to consolidate TMK's position as a Top 2 player by financial performance in the global OCTG market



To develop a service offering of comprehensive design solutions for customers using cutting-edge digital technologies



To enhance safety levels for our employees



To improve environmental protection at all of TMK's production facilities across all of the regions in which the Company operates



To reduce leverage



To maximize the operating cash flow and optimize the asset portfolio



STRATEGIC PRIORITIES

- Enhancing leadership in key segments and entering new product niches
- Optimizing vertical integration to reduce costs and developing product and service ranges
- Enhancing the sales platform and leveraging TMK's global scale
- Focus on innovation and digitalization
- Enhancing operational excellence
- Strengthening financial performance and investment appeal

STRATEGIC PRIORITIES

KEY 2019 HIGHLIGHTS

Enhancing leadership in key segments and entering new product niches

No. 1 globally by total shipments of tubular products in 2019.

72% share in the premium connections segment in Russia.

63% share in the seamless OCTG segment in Russia.

+ 25% year-on-year – TMK's premium connections sales revenue growth across the Group.

7% share of pipes with premium threaded connections in total shipments of the Russian division (2018: 6%).

Optimizing vertical integration to reduce costs and develop product and service ranges

TMK and Prommashkomplekt LLP, a Kazakhstan-based manufacturer of products for the rail industry, signed an agreement effective through 2022 for the supply of continuously cast round billets. TMK will supply up to 65 thousand tonnes of billets annually from its TAGMET plant.

A new heat treatment facility was launched at Seversky Pipe Plant.

TMK signed agreements with Metalloinvest for the supply of HBI and strip. The agreement on HBI (about 240 thousand tonnes of HBI in 2020) will be effective through 2020 and includes a pricing formula based on international and domestic Russian market indicators for raw material prices. The agreement on strip (about 75 thousand tonnes) is medium-term.

Developing conceptual engineering services. In 2019, the demand for premium connections in the Russian division, including field concept engineering projects estimation services, increased by more than 10% year-on-year, with bundled sales accounting for 15% of total premium connection shipments.

Enhancing the sales platform and leveraging TMK's global scale

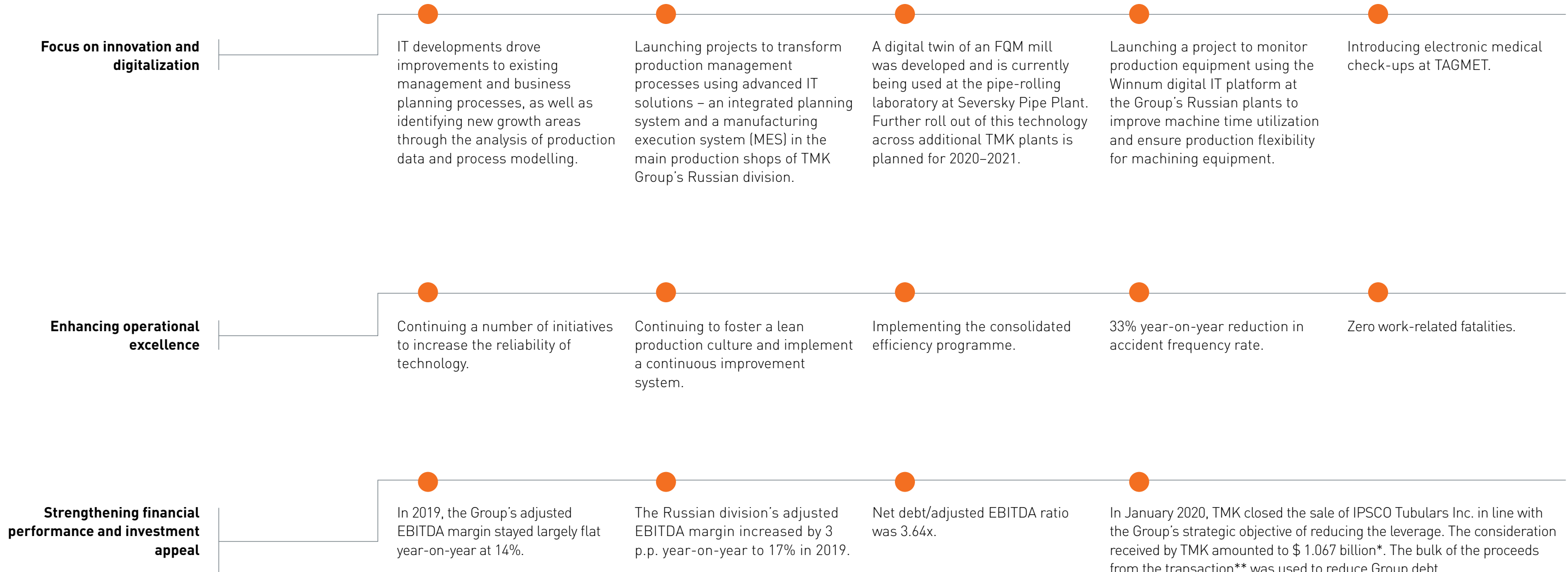
TMK started restructuring its sales system (sales section) in the Russian market by concentrating key sales functions within the Unified Sales Center in Yekaterinburg.

Promoting sales via TMK's eTrade tubular goods online store and further developing the proprietary e-commerce trading and procurement platform:

- Sales volumes increased by 10% year-on-year
- The number of registered customers grew by more than 35% year-on-year
- New design was launched
- Integration with SAP ERP was carried out
- A flexible system of notifications for internal and external users was introduced
- Individual payment terms were set for each product type.

Increasing export sales from the Russian division's plants (+ 33% year-on-year).

In October, TMK and Saudi Aramco signed a memorandum of understanding for the two companies to cooperate in areas where both see potential.

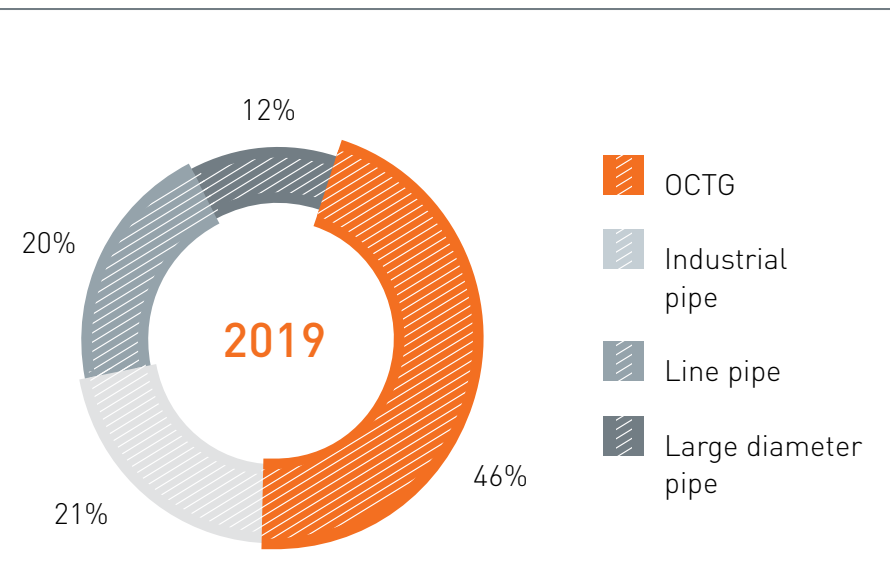


* Estimated as of the closing date, January 2, 2020.

** On January 2, 2020, TMK closed the sale of 100% of the shares of IPSCO Tubulars Inc. to Tenaris.

TMK'S MARKET POSITION

2019 product portfolio



3.8 million tons of steel pipes sold by TMK for the year

79%

Percentage of TMK tubular products shipped to oil and gas companies

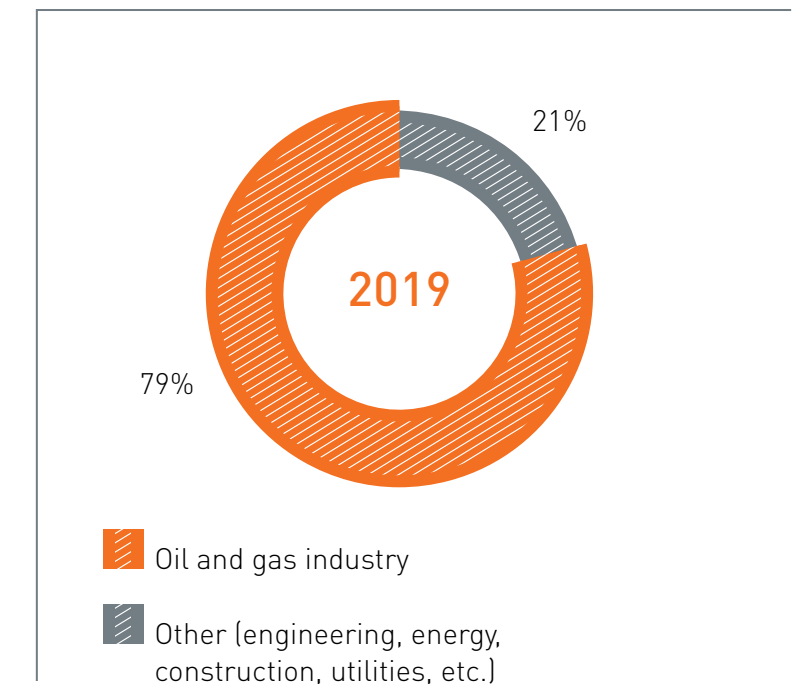
Industry experts estimate that in 2019, global steel pipe production was 174.9 million tonnes, up 0.9% year-on-year. The key drivers behind the increase include 2.4% year-on-year global economic growth and continued global investment activity within the energy sector, despite a 6% reduction in exploration and production spending in North America.

Since the beginning of 2020, the world oil industry has faced two problems: a drop in demand due to the Covid-19 pandemic and lower oil prices. Oil storage facilities worldwide are being filled up due to excess of supply over demand, but agreements reached under the OPEC+ deal in April 2020 will help to bring the market into balance in the medium term. Following the OPEC+ agreement, oil operators globally will begin to adjust their exploration and production budgets downward. These adjustments will also have effect on drilling programs, and as a result may involve a reduction in consumption of oil tubular products. However, after the end of the global pandemic, business activity is expected to recover, which may revive the demand for all types of steel pipe products.

174.9

Global steel pipe production in 2019 in mln tonnes

2019 sales by industry

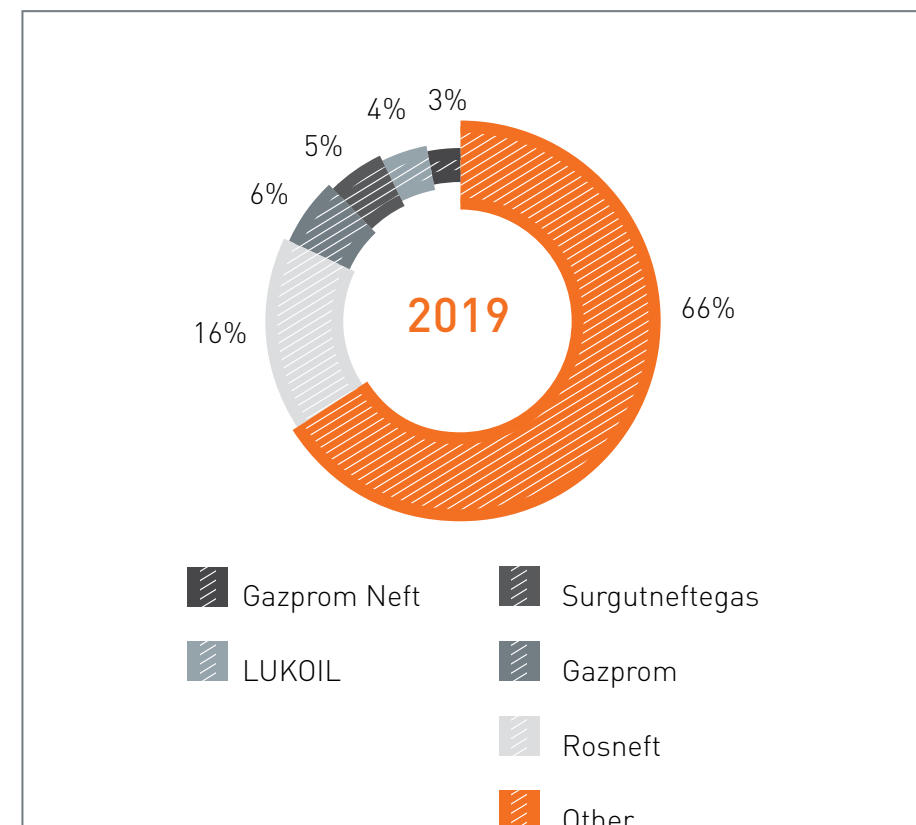


TMK Group's steel pipe sales in 2019 were 3.8 million tonnes. In terms of sales volumes, TMK remains the world's leading steel pipe producer.

In 2019, 79% of TMK's tubular products were sold to consumers in the oil and gas industry.

A considerable portion of our products is shipped to Russian oil and gas majors such as Gazprom, Gazprom Neft, LUKOIL, Rosneft, and Surgutneftegas. These top five Russian customers accounted for 34% of TMK's total sales in 2019.

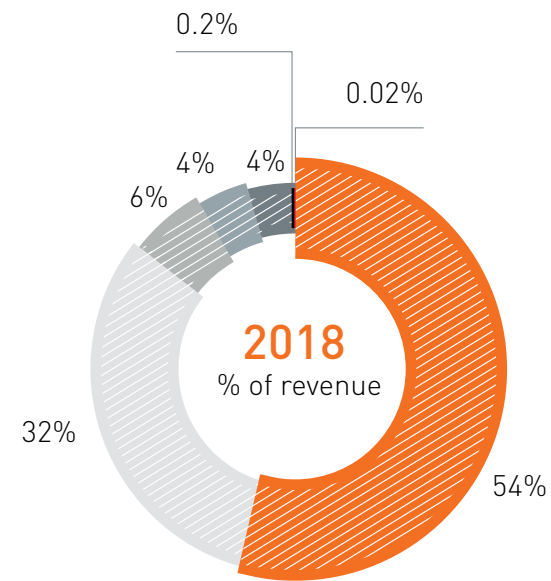
2019 sales by customer



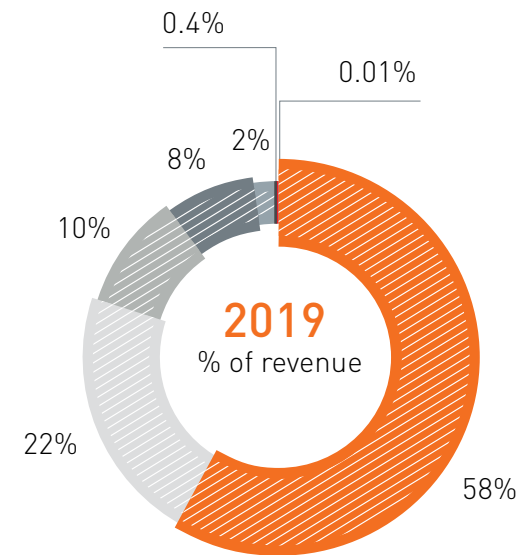
TMK has a global network of distribution and representative offices and a track record of supplying products to over 80 countries. The geographical diversification of our assets and sales helps TMK mitigate risks and uncertainties while leveraging the opportunities offered by each market.

In 2019, the Russian market accounted for 58% of our total revenue, the Americas for 22%, and the European market for 10%. The CIS countries, the Middle East, Central and South East Asia, and Rest of World (ROW) accounted for 10% of our total revenue. In 2019, the share of the American market in our total revenue decreased year-on-year on the back of weaker demand for tubular products due to oil price volatility, a slowdown in drilling activity, and oil and gas companies maintaining stricter spending discipline for drilling and production budgets.

TMK's 2018 sales geography



TMK's 2019 sales geography



BY THE WAY

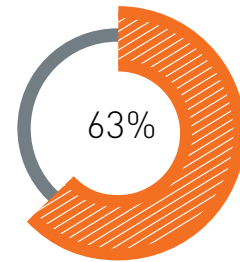
On July 21, 2019, the electric arc furnace shop of Seversky Pipe Plant recorded another landmark, timed to coincide with the Metallurgist Day, – producing its nine millionth tonne of steel since the startup of its arc furnace. The shop's entire production process fully meets the applicable quality standards.

■ Russia
 ■ Americas
 ■ Europe
 ■ Middle East and North Africa
 ■ CIS countries
 ■ East Asia, Southeast Asia, and the Far East
 ■ Sub-Saharan Africa

RUSSIAN PIPE MARKET

TMK's share of the Russian pipe market in 2019 by product type, %

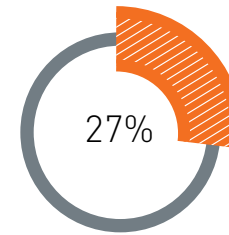
SEAMLESS PIPE



OCTG

Oil country tubular goods including drill, casing and tubing pipes.

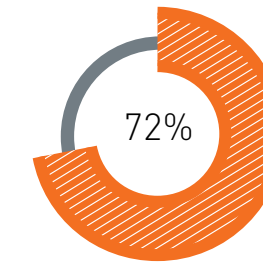
WELDED PIPE



Line pipe

Pipes for short-distance transportation of crude oil, petroleum products, and natural gas

PREMIUM PRODUCTS

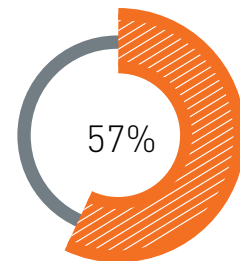


Premium connections (TMK UP)

High-margin proprietary products for connecting OCTG in offshore, low temperature, high pressure, and other challenging environments

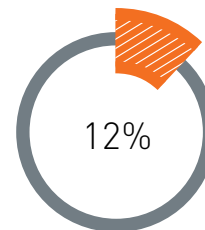
In 2019, the Russian pipe market slipped 1% from 2018 as welded and seamless line consumption declined by 22% and 15% respectively.

TMK maintained its leadership in the domestic pipe industry in 2019. The Company's total share of the Russian pipe market for 2019 was 23%, with a 63% market share in the seamless OCTG segment, 57% in the seamless line pipe segment, and 72% in premium connections.



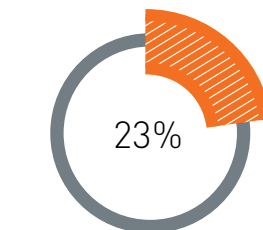
Seamless line pipe

Pipes for short-distance transportation of crude oil, petroleum products and natural gas

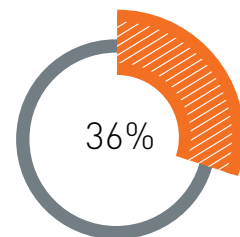


Large diameter pipe

Pipes used in the construction of trunk pipelines for gas, oil and petroleum product transportation

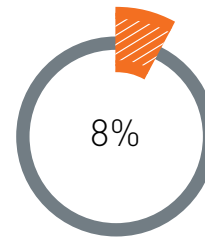


TMK is Russia's No. 1 pipe producer



Seamless industrial pipe

Pipes used in industries such as car manufacturing, engineering or energy sectors



Welded industrial pipe

Pipes for multiple applications across various industries, including utilities and agriculture

Source: TMK estimate

OIL COUNTRY TUBULAR GOODS AND PREMIUM PRODUCTS

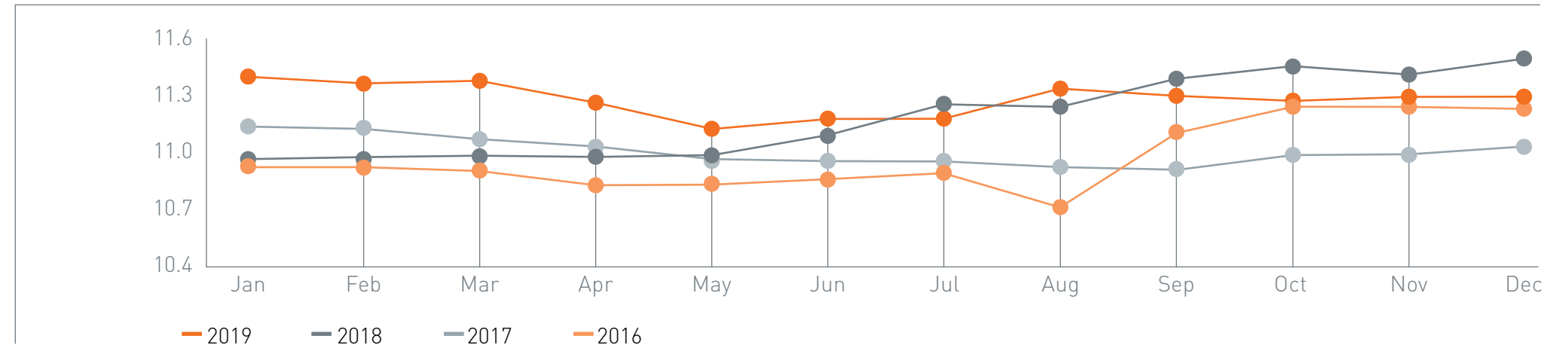
In 2019, Russia increased its oil production by 1% year-on-year to 561 million tonnes. The OPEC+ agreement, concluded in April 2020, may provide significant support to the oil industry and oil prices. In Russia, lower exploration drilling volumes and suspension of realization of large-scale projects by large companies are expected in 2020. The Russian energy complex traditionally demonstrates a greater resilience to global crisis events comparing to its foreign peers, and this may lead to a moderate decrease in demand for oil tubular products.

53%

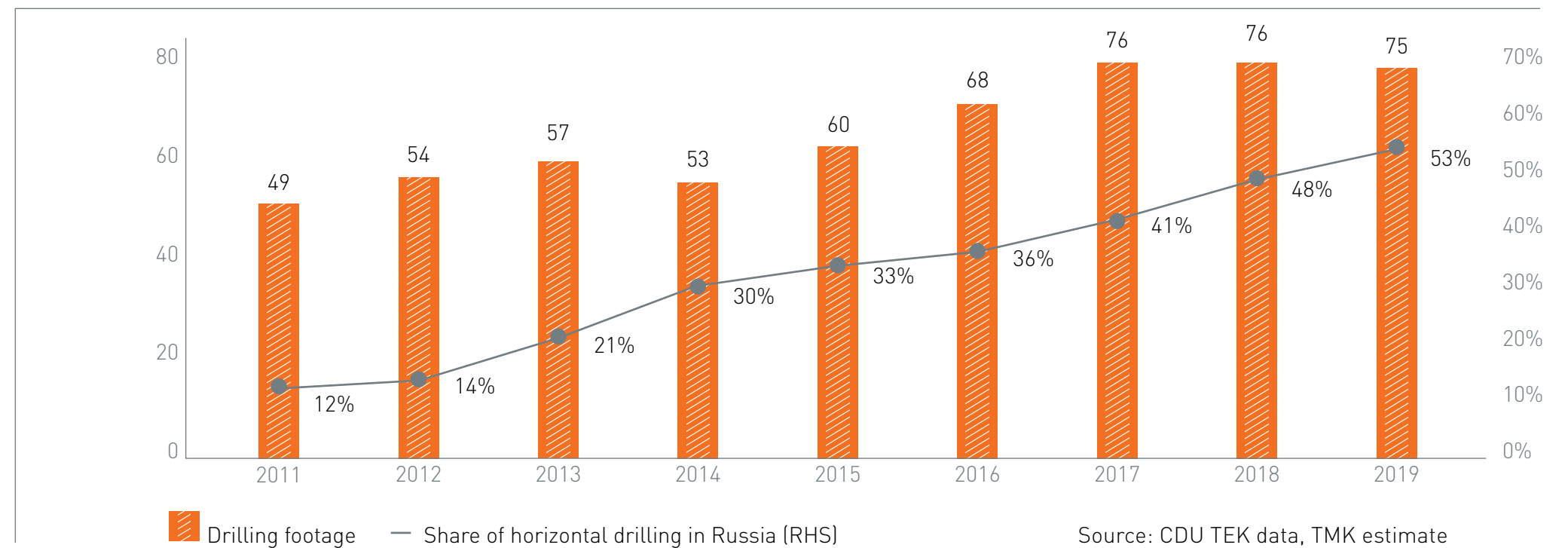
the share of high-tech horizontal drilling in Russia in 2019

As the existing fields in Western Siberia gradually deplete, conventional oil and gas production methods are no longer sufficient for reaching performance and hydrocarbon production targets. To maintain the current hydrocarbon output levels, Russian companies are tapping new reserves via horizontal drilling, which requires more pipe. As a result, the share of high-tech horizontal drilling in Russia jumped from 12% in 2011 to 53% in 2019.

Russian crude output, million barrels per day



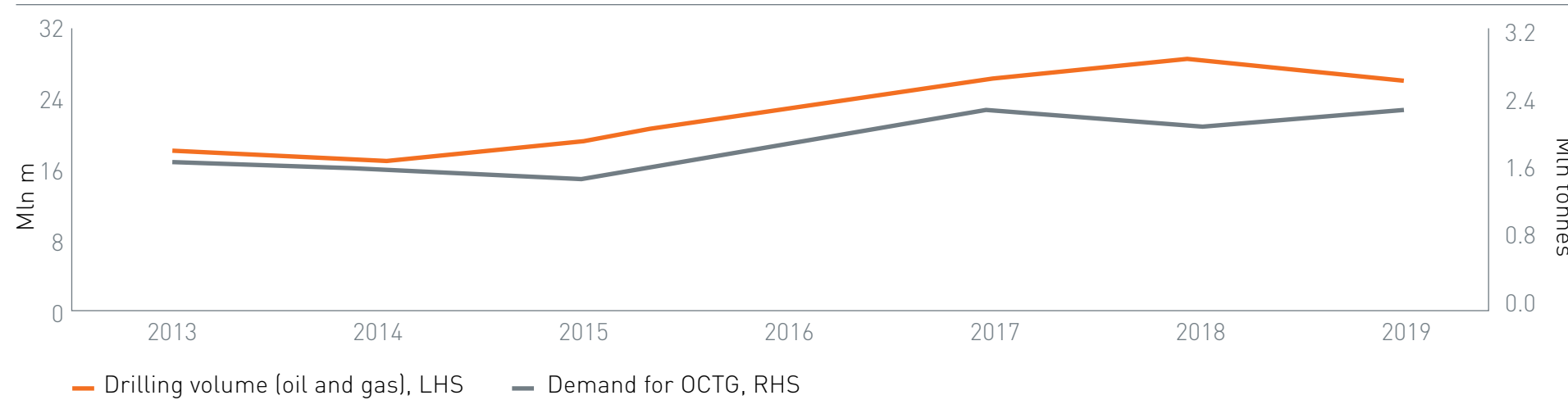
Share of horizontal drilling in Russia's total production drilling, %



Source: CDU TEK data, TMK estimate

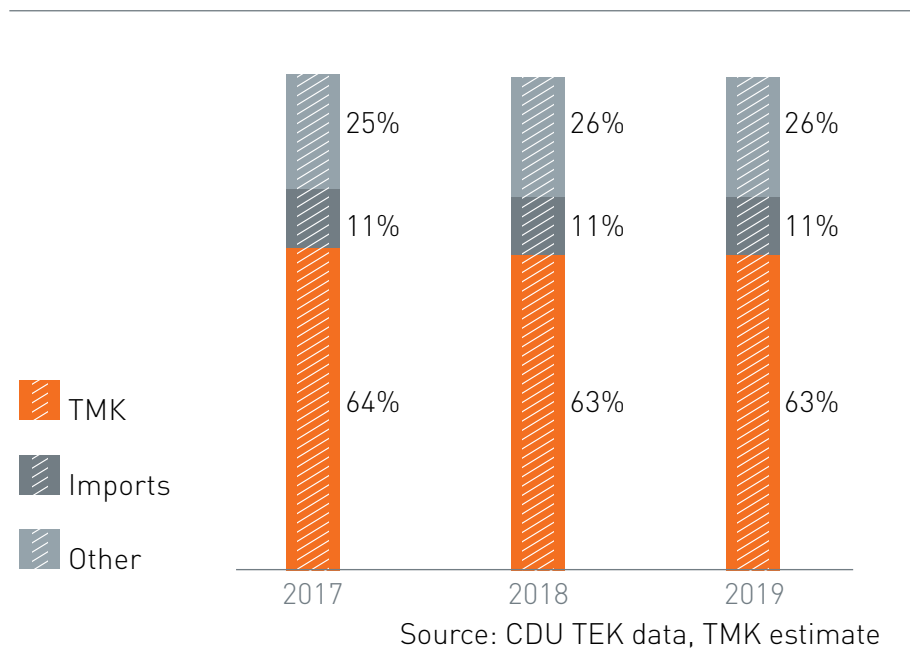
In 2019, drilling footage in Russia slipped 1% year-on-year. Rosneft accounted for the largest share of the drilling market in 2019, or 35% of total footage, although its total footage drilled dropped 7% year-on-year. However, the Russian OCTG market kept growing and increased 2% compared to 2018.

Demand for OCTG in Russia, million tonnes vs. drilling footage, million meters



In the reporting year, TMK increased sales of premium tubular products for offshore projects, continued launching and promoting 13Cr and TMK-C (chromium-nickel alloy) products, brought out a unique TMK UP CENTUM threaded connection and expanded its customer base for premium tubular products with GREENWELL lubricant-free coating.

TMK's share of the seamless OCTG market



TMK has been the leader in the seamless OCTG market for many years, thanks to its focus on the development and supply of top-quality, high-tech, reliable, premium tubular products that meet our consumers' specific needs and help them produce hydrocarbons in challenging geological and climatic conditions, including offshore and Far North environments. TMK's share of the Russian seamless OCTG market was 63% in 2019.

For the sixth year running, in 2019 TMK was recognized as the best supplier of industrial products and services for offshore oil and gas developments in the Tubular Goods category. The award ceremony was held as part of the 14th Offshore Oil and Gas Contracts Conference (Neftegazshelf 2019).

The ranking has been published since 2013 to facilitate import substitution in offshore oil and gas developments and improve market information support, transparency and openness. Companies are rated through an annual survey of oil and gas companies developing offshore fields.

Since 2018, TMK has been providing premium solutions for Rosneft's offshore projects. In the reporting year, TMK shipped casing pipe and crossovers to Sakhalin for an exploration well drilled on the Vostochno-Pribrezhnoye field. The Company's tubular goods, including those with TMK UP CENTUM threaded connections and GREENWELL lubricant-free coating, received only positive customer feedback.

In 2019, TMK delivered the second batch of casing pipe with TMK UP PF threaded connections to Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) for the Sakhalin-2 oil and gas project. Casing string was successfully run from the Molikpaq platform at the Piltun-Astokhskoye field in the Sea of Okhotsk under the supervision of TMK. The job was completed under a long-term contract concluded between TMK and Sakhalin Energy in October 2017 to supply premium OCTG. The next batch is scheduled for delivery in 2020.

TMK opened a representative office in Sakhalin in September 2019 to provide full technical support to consumers of its products on the island and supply premium products and related services.

The Company's strategy for consolidating its position in Sakhalin is focused on working with operators to develop a full-range of after-sales services, from conceptual

engineering to providing support for the delivery and running of strings with premium connections. TMK's representative office in Yuzhno-Sakhalinsk will serve as a hub providing all the expertise our partners require on a turnkey basis.

There is further potential for TMK's products in projects off Sakhalin, as the Company can offer the full range of tubular products to support oil and gas production in challenging environments. A major breakthrough of recent years has been the production of offshore pipes with a diameter greater than 245 mm made from 13Cr steel – TMK is the only Russian manufacturer of this type of product.

In March 2019, the Company shipped premium casing pipe to a NOVATEK subsidiary for exploration drilling of the Shtormovoye gas condensate field, located on the Gyda Peninsula and partially in the Gydan Bay and Gulf of Ob of the Kara Sea.

In May 2019, the Company delivered 13-3/8" (340-mm) L80 TMK UP CWB casing pipe for appraisal wells on Gazprom's Leningradskoye gas condensate field and Skuratovsky license on the Arctic shelf.

In August 2019, TMK won a tender to supply LUKOIL with import-substituting premium products: 114.3-mm and 88.9-mm tubing as well as 140-mm L80 13Cr casing pipe with TMK UP CENTUM threaded connections,

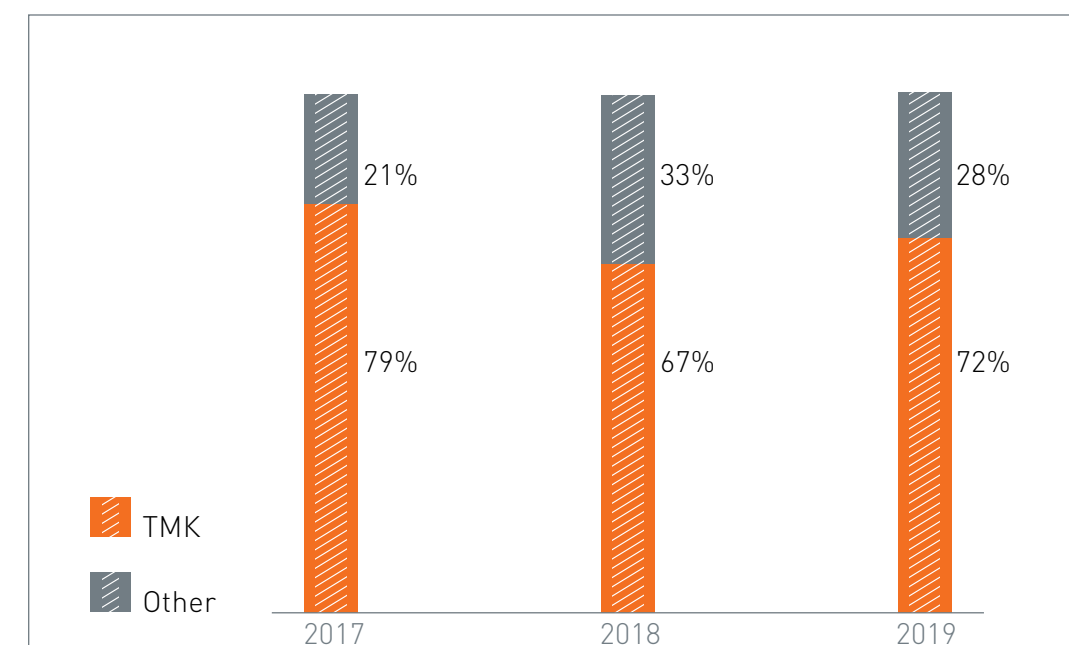
which can be used as tubing, and delivery was completed in January 2020. The pipes will be used for wells drilled from a satellite platform on the Yu. Korchagin field in the Caspian Sea, with the pipe strings scheduled to be run in 2020 with the involvement of TMK specialists.

TMK is Russia's only manufacturer and supplier of corrosion resistant chromium-nickel alloy (TMK-C) pipes. In 2018, TMK won Russia's largest tender for the supply of TMK-C casing pipe with TMK UP PF threaded connections to LUKOIL-Komi, with deliveries taking place during 2019. In October 2019, TMK won a tender to supply a new record amount of premium TMK-C casing for a number of fields in the Komi Republic in 2020.

TMK is one of the world's largest premium connection manufacturers and the leader in the Russian premium connections market. In 2019, TMK accounted for a 72% share of the Russian premium connections market.

Pipes with premium threaded connections are designed for use in oil and gas wells operating in challenging climatic and geological conditions, including offshore, deep-water and Far North locations, horizontal and directional wells, and unconventional hydrocarbon reserve (shale oil, shale gas, and oil sand) development. These connections offer high strength and tightness, along with enhanced resistance to high torsional, bending and tensile loads.

TMK's share in the Russian premium pipe market



Source: TMK estimate

TMK UP EVOLUTION*

In 2019, TMK's total shipments of premium-threaded connections were down 10% year-on-year, while shipments of these products at the Russian division increased 15% year-on-year.

In the reporting year, orders for premium connections with conceptual engineering support in the Russian division were up by over 10% year-on-year. Such bundled sales accounted for 15% of total premium connections sales.

In 2019, TMK and NOVATEK signed a strategic partnership and cooperation agreement until the end of 2023, which outlines key policies and approaches for supplying TMK's premium casing and tubing to NOVATEK, including the Yamal LNG, Obskiy LNG, and Arctic LNG 2 projects. The agreement introduces formula-based pricing to promote efficient production and ensure timely and reliable supplies. TMK has a long-standing partnership with NOVATEK, supplying tubular products with premium threaded connections for the gas major's multiple projects, and the new agreement aims to build upon this successful relationship.

In the reporting year, we expanded our customer base and received new orders for tubular products with TMK UP CENTUM premium threaded connections.



**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 H₂S and CO₂ concentrations
- High temperatures
- Arctic environment
- Horizontal and directional drilling
- Casing drilling
- Steam-assisted gravity drainage (SAGD)
- GREENWELL lubricant-free connections

* Premium connections developed by Russian R&D centers of TMK Group.

TMK UP CENTUM

is the latest generation of gas-tight premium threaded connections for casing pipe, featuring innovative design. It is the most recent offering within the **TMK UP** premium connection line. The connection strength equals the pipe strength, considerably increasing pipe string reliability in wells with complex profiles.

TMK UP CENTUM is certified to ISO 13679 CAL IV, the highest international industry standard for premium threaded connections.



Product Mix:

2-3/8"–13-5/8" /
73–346.08 mm

- Features – 100% tension and compression efficiency
- Quick-assembly premium connection

The Company started producing casing pipe with TMK UP CENTUM premium threaded connections in 2017, and the first pipes have already proved their performance in NOVATEK's Arctic LNG 2 project.

In 2019, these unique products were supplied to Gazprom for production drilling on the Kovykta field. From May through December 2019, TMK delivered over 4,000 tonnes of casing for low-temperature service with TMK UP CENTUM threaded connections to the Kovykta field.

In the reporting year, Sinarsky Pipe Plant started production of casing pipe with unique threaded connection TMK UP CENTUM. The deployment of the TMK UP CENTUM threading technology at Sinarsky Pipe Plant was assisted by TMK-Premium Service, a TMK subsidiary specializing in the development, production and sale of oil and gas pipes with premium threaded connections and the provision of related services. The first batch of casing pipe with TMK UP CENTUM threaded connections was shipped to a subsidiary of Gazprom Neft.

During the year, TMK continued expanding its customer base for premium tubular products with GREENWELL lubricant-free coating, which is increasingly used by oil and gas companies in well construction due to its advantages over conventional lubricants. GreenWell is a complete substitute for both storage and thread compound used for making up pipe strings, has no adverse impact on the environment as it does not create any waste or pollution (unlike conventional lubricants), and provides reliable sealing of threaded connections in a string. In 2019, sales of these products grew 72% year-on-year.

Global demand for high-tech seamless pipe, in particular OCTG with premium thread, remains high and will increase in the coming years. In 2019, TMK exported tubular products made by its Russian division: the Company continued supplying tubulars to Saudi Aramco, shipped the first batches of

casing pipe with TMK UP PF ET premium connections to Kuwait Oil Company for use in oil production from southern and northern fields of Kuwait, and, following successful qualification by the global supermajor Shell, received the first order for the supply of casing pipe to Bapetco in Egypt (a joint venture between Shell and EGPC).

In the reporting year, TMK maintained its position as the primary supplier of casing pipe for Vietsovpetro (Vietnam) and delivered the first batches of casing pipe with TMK UP, a new-generation premium connection.

Also in 2019, TMK retained its leadership in pipe supply for offshore projects of India's Oil and Natural Gas Corporation (ONGC). The Company also received its second order for vacuum insulated tubing (VIT) for a project of Oil India Ltd. on the Bagewala field in India. TMK remains the only supplier of VIT to this developing segment of the Indian market.

BY THE WAY

Also in 2019, pilot testing commenced on the Urengoykoye gas condensate field by running a casing string made up of TMK pipes into a gas well. The 178x10.36-mm pipes with GreenWell coating were manufactured by Taganrog Metallurgical Works and shipped to Orsky Machine Building Plant for premium threading. It was our first shipment to Gazprom Dobycha Urengoy.

OILFIELD SERVICES

The Russian oilfield service business is led by TMK Oilfield Services (Yekaterinburg) and comprises Orsky Machine Building Plant (Orsk), Truboplast (Yekaterinburg), TMK NGS-Buzuluk (Volga Federal District), and TMK NGS-Nizhnevartovsk (Khanty-Mansi Autonomous Area).

TMK Oilfield Services successfully meets market demand for tubing and casing pipe repair, diagnostics and threading, including pipe with TMK UP threaded connections, as well as for internal and external coating on threaded and line pipe.

In 2019, Oilfield Services threaded semi-finished pipes, fitted them with couplings and shipped over 93 thousand tonnes of OCTG (up 1,000 tonnes from 2018), including tubulars with TMK UP threaded connections (which are up by about 10% year-on-year).

TMK NGS-Buzuluk completed over 220 orders in 2018 to provide engineering support for TMK tubular products as well as for running over 320 casing and tubing strings in fields located in Russia, the CIS, and other countries. In 2019, we started providing engineering support for TMK pipe product use in the construction of production wells on the Kovykta field and a number of fields outside Russia.

LARGE DIAMETER PIPE

In 2019, Russian LDP market was unchanged from the previous year, with most demand for LDP in the Russian market coming from Gazprom and Transneft. In the reporting year, Gazprom purchased LDP for the Gryazovets–Slavyanskaya CS pipeline section intended to feed gas into Nord Stream 2, for the Power of Siberia project (section from the Chayandinskoye field to the Kovykta field), and for the extension of the Sakhalin–Khabarovsk–Vladivostok gas transmission system (GTS). Also in 2019, the Company sold LDP to Gazprom and Transneft to support their operational and repair needs.

TMK's share of LDP supply to the Russian market totaled 12% for 2019. TMK supplied longitudinally welded large-diameter pipe for the extension of the Sakhalin–Khabarovsk–Vladivostok GTS and pipe for the repair and maintenance needs of subsidiaries of Gazprom and Transneft.



INDUSTRIAL PIPE

TMK's core business is OCTG manufacturing. However, the Company also launches new products for construction, utilities, automotive, power engineering, aircraft manufacturing, and nuclear industries. In 2019, industrial pipes accounted for 21% of the Group's total sales.

In 2019, welded industrial pipe consumption increased 1% compared to 2018 driven by higher demand from

the construction industry. Seamless industrial pipe consumption in 2019 remained unchanged from a year earlier.

In 2018, TAGMET received an IATF 16949:2016 certificate of conformity for its quality management system*, enabling the plant to start supplies of continuously cast round carbon and alloy steel billets to international vehicle component manufacturers and thus diversifying TMK's sales.

In April 2019, TMK and State Atomic Energy Corporation Rosatom signed an agreement on cooperation. The parties agreed to collaborate in the production and use of high-tech tubular products, including joint development of new steel pipes. The document also establishes strategic directions for collaboration in import substitution and cooperation on high-potential projects in the Russian and international markets. The agreement also envisages the implementation of

a cooperation roadmap that will provide a framework for sharing information on the needs and demand for new and existing products, R&D agenda, and leveraging the research and production capabilities of TMK and Rosatom for progress along the established strategic directions of collaboration.



BY THE WAY

The first pilot batch of stainless steel billets has been produced by the electric arc furnace shop of Volzhsky Pipe Plant. Laboratory tests have shown that the metal has an ideal surface and that its chemical composition as well as micro- and macrostructure fully meet all requirements for stainless steel.

* IATF 16949:2016 is an international automotive industry standard that establishes additional requirements for the design, manufacture and warranty servicing of products.

NORTH AMERICAN PIPE MARKET

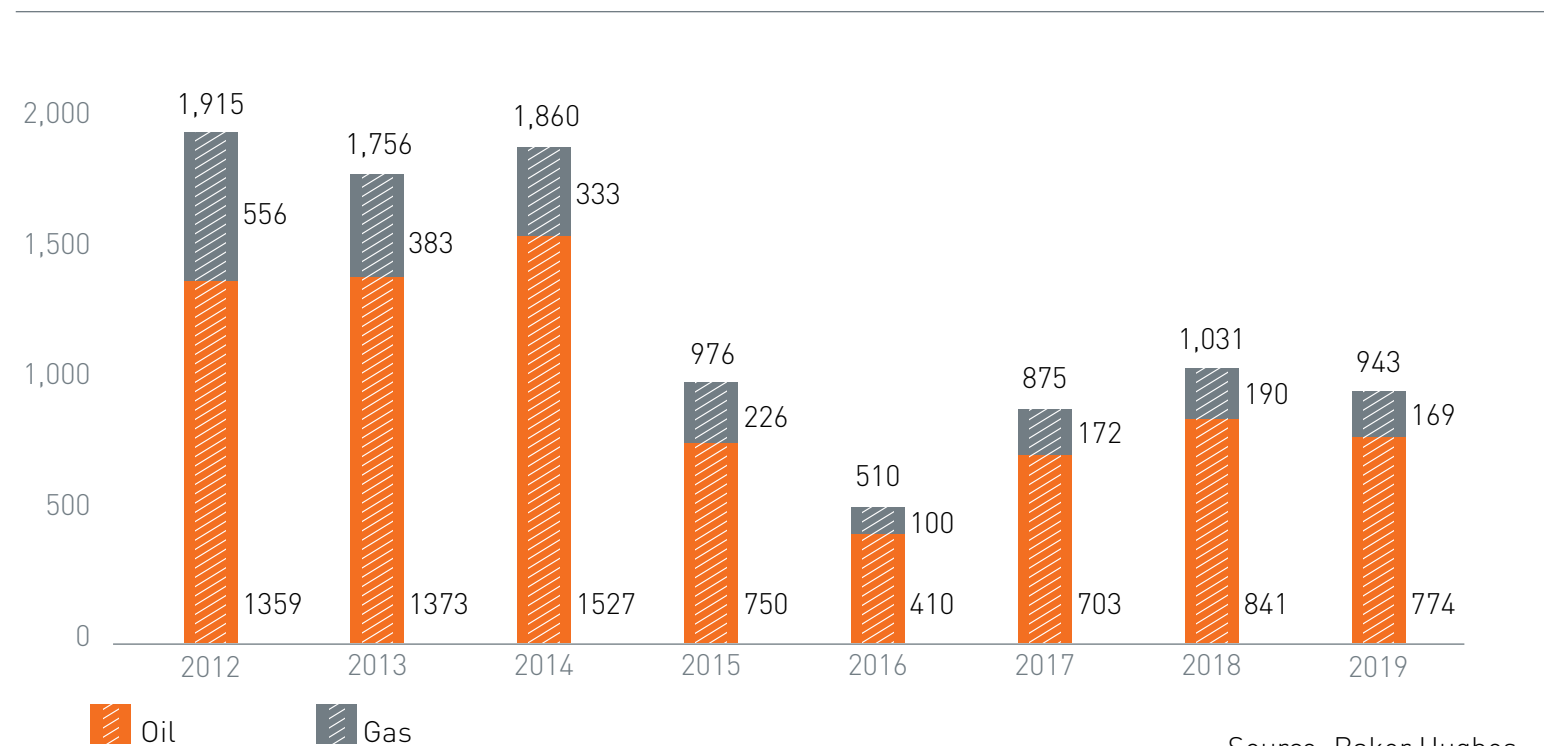
According to Baker Hughes, the average oil and gas rig count in the United States decreased by 9% to 943 in 2019, down from 1,031 rigs in 2018. The decline in hydrocarbon prices that began in 2019, along with tougher financial discipline imposed by oil and gas field

operators in North America, led to a 6% year-on-year decrease in hydrocarbon exploration and production CAPEX according to Spears, resulting in lower drilling activity and reduced volumes of welded and seamless OCTG consumption.

According to a Preston Pipe report, FY 2019 OCTG shipments in the USA were down 8% year-on-year. Welded OCTG shipments decreased by 3% year-on-year, while seamless OCTG shipments dropped by 12% year-on-year.

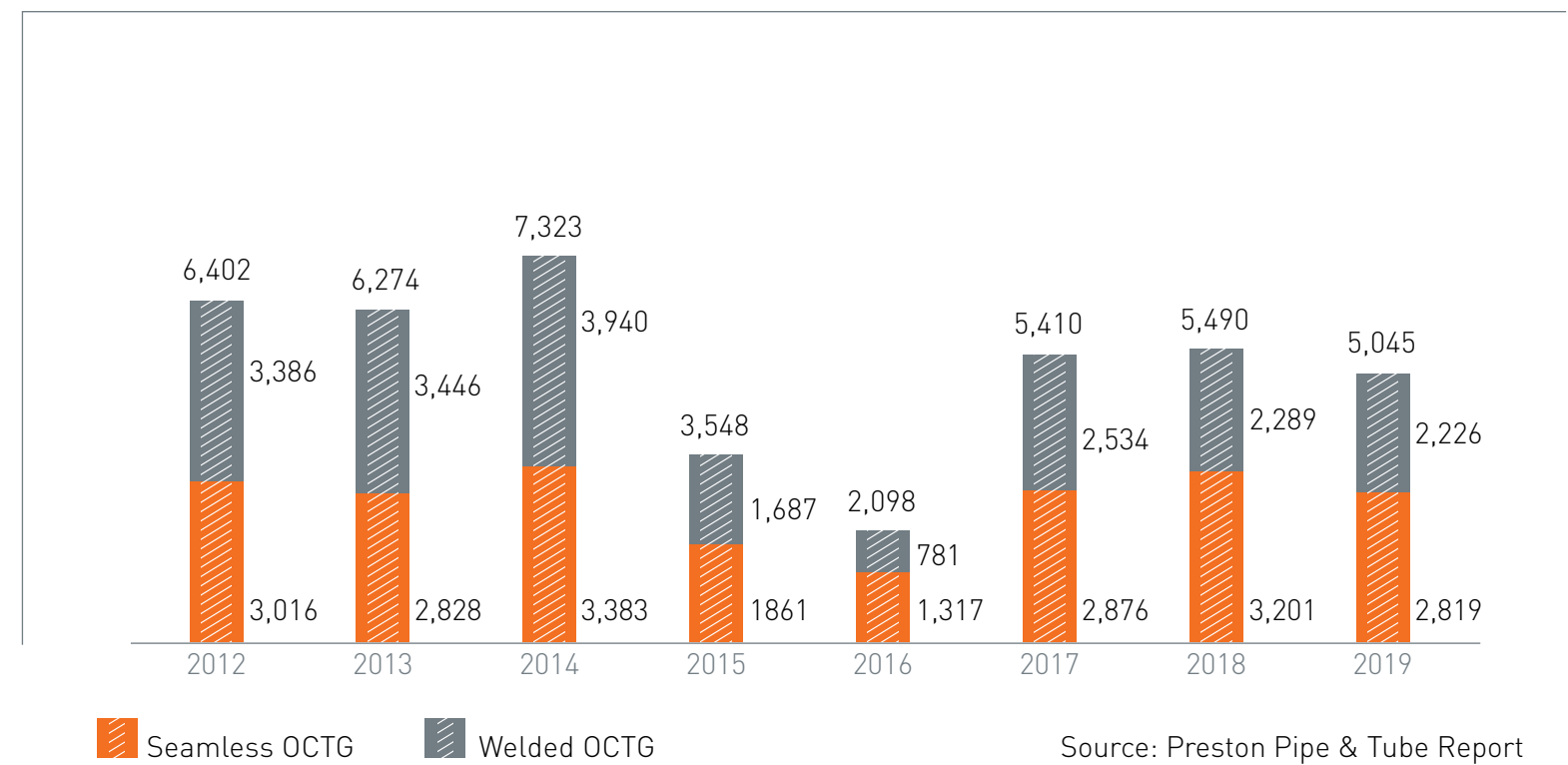
Year-on-year, the combined horizontal and directional rig count grew by 0.5 p.p. to 94% of total rigs in 2019. Horizontal and directional drilling technologies require higher tubular product consumption.

U.S. gas and oil rig count



Source: Baker Hughes

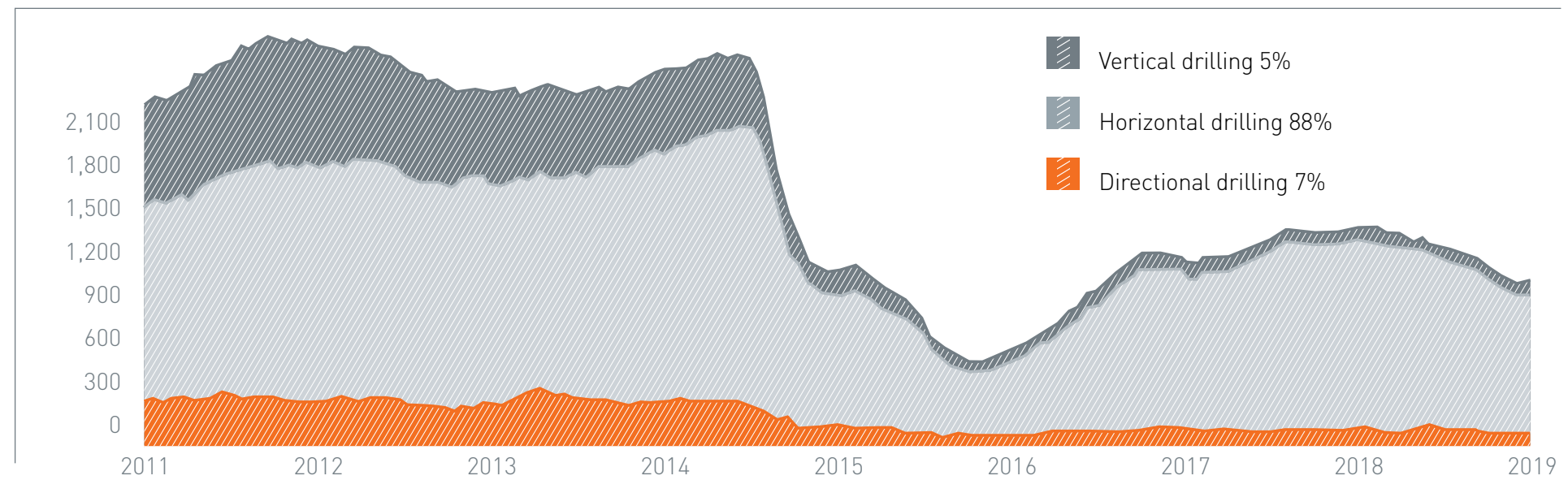
U.S. OCTG shipments, thousand tonnes



Source: Preston Pipe & Tube Report

Reflecting the lower rig count and consequent decrease in OCTG demand, prices in the American pipe market remained under pressure throughout 2019. Average composite OCTG seamless and welded pipe prices decreased by 7% and 8% year-on-year, respectively.

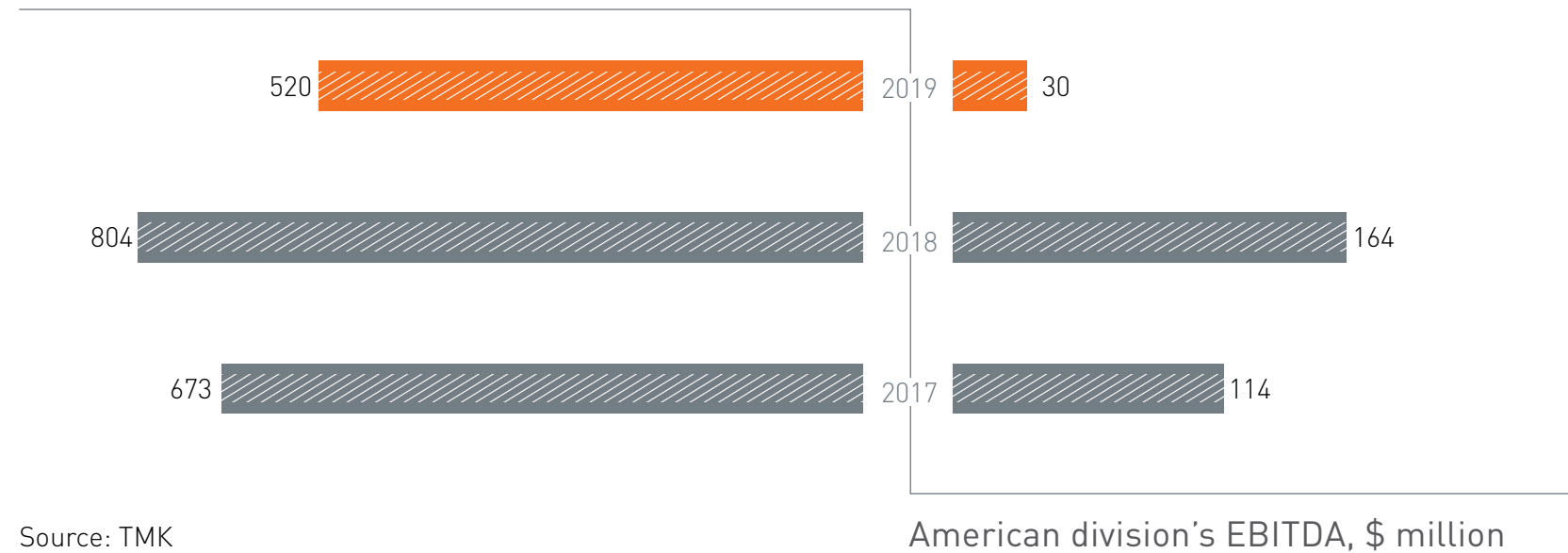
U.S. rigs by drilling method



In 2019, sales of tubular products at the American division decreased by 35% year-on-year to 520 thousand tonnes, largely due to lower OCTG and line pipe demand. As a result, FY 2019 EBITDA dropped by 82% year-on-year to \$30 million.

Source: Baker Hughes

Pipe sales at the American division, thousand tonnes



Source: TMK

BY THE WAY

Senior TMK leaders have held a business meeting with representatives of the American Petroleum Institute (API). Among other activities, API is engaged in developing and maintaining standards for products used in oil production and refining, including tubular products. TMK has been a member of task groups and subcommittees of API's Standards Committees for over a decade. For 25 years, TMK plants have been offering API-certified products and are licensed to use the API Monogram.

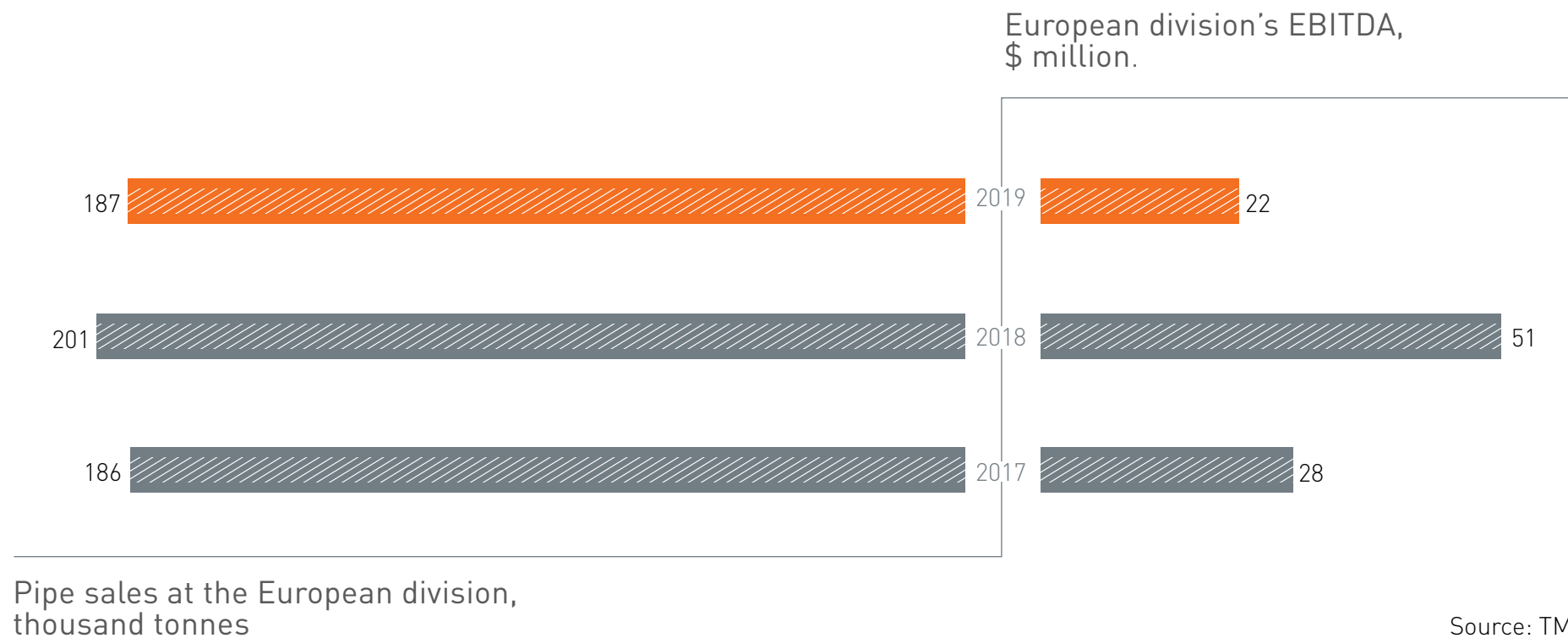
EUROPEAN PIPE MARKET

In 2019, the European steel pipe market shrank considerably (down 9% year-on-year), mainly due to lower demand from the engineering and automotive industries. The global economic slowdown and trade wars amid rising protectionist sentiments led to a smaller order backlog for engineering industry manufacturers.

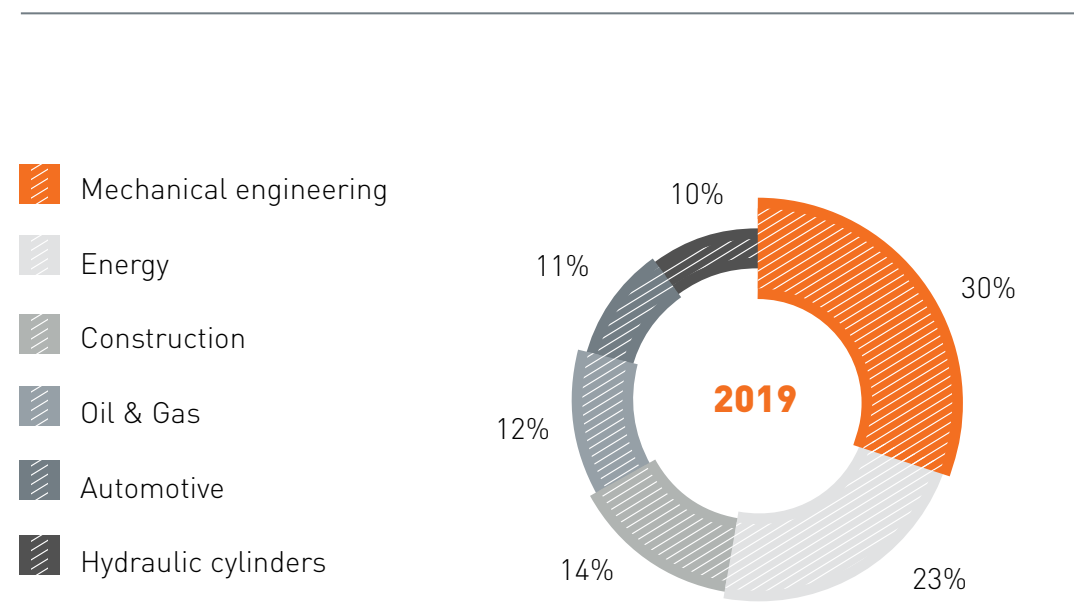
The European division's FY 2019 pipe sales were down 7% year-on-year to 187 thousand tonnes, with full-year EBITDA at \$22 million, a 57% year-on-year decrease.

The European division has been able to mitigate market risks through geographical diversification of sales and a wide product

range. With sales to almost 400 regular customers in 45 countries worldwide, the division is focused on European markets, as well as North America and Latin America. The largest single customer accounted for under 10% of the division's total revenue for 2019, with the top 10 customers representing under 25%.



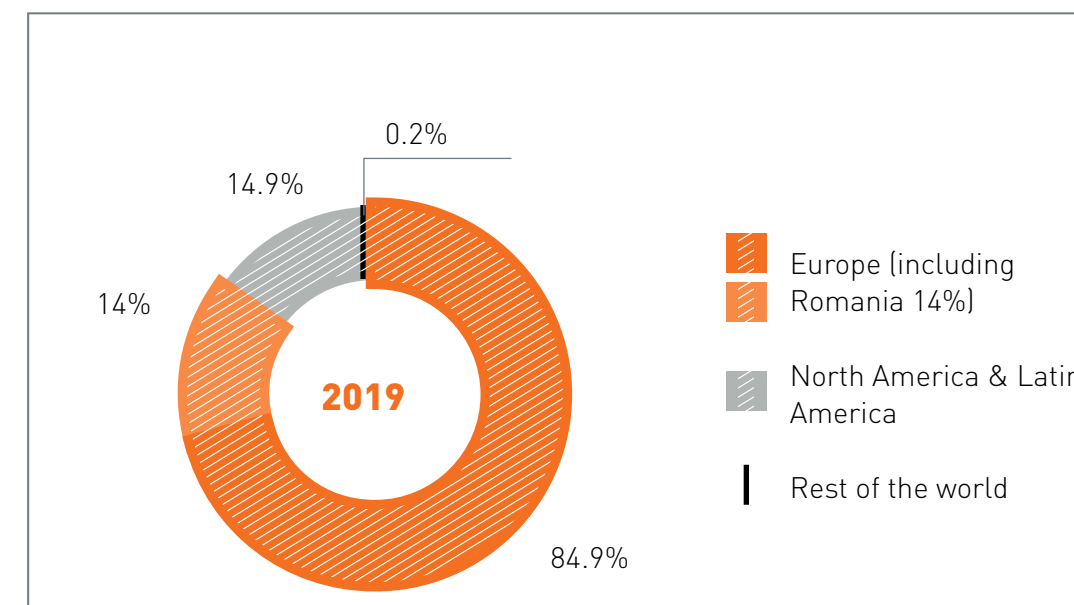
Product mix in 2019 (sales in tonnes)



TMK's European division focuses its marketing efforts on enabling the Company to adapt swiftly to changing market conditions and offer most optimal solutions to its customers.

In 2019, TMK-ARTROM continued to further its partnerships with major European vehicle manufacturers: TMK-ARTROM's second joint project with Renault-Nissan on a new Dacia Duster model saw further progress; pipe

Sales by region in 2019 (in money terms)



production commenced for Gestamp, Renault Russia's parts supplier; TMK-ARTROM also successfully passed qualification audits by several vehicle manufacturers and industrial companies.

In 2019, the European division's corporate quality management system successfully passed a recertification audit for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. The audit was conducted by Lloyd's Register.

R&D INITIATIVES AND RESEARCH AND TECHNOLOGICAL COOPERATION

New technologies and innovative products are the key competitive drivers in the global pipe market. In 2019, TMK conducted research and development at its own corporate centers: ROSNITI (Chelyabinsk, Russia), Houston R&D center (USA) and a new R&D facility opened in 2019 in the Skolkovo Innovation Center (Moscow, Russia).

The new research and technology center in Skolkovo became the Company's second and largest R&D facility in Russia, equipped with unique research and testing equipment to develop comprehensive material, design, and connection

solutions for the increasingly complicated hydrocarbon production conditions and other applications. In 2019, the Company invested over \$30 million into the construction and equipment of the new R&D facility.

The Skolkovo R&D facility commissioned unique equipment for measuring the properties of threaded pipe connections in accordance with international standards ISO 13679 and ISO 12835 – test benches with a load capacity of 3,000 and 1,800 tonnes. The benches are designed for tensile, compression and bend testing at high internal or

external pressures and extreme temperature regimes. This equipment will accelerate time to market for new and innovative products through prototyping and fine-tuning technology as well as research, certification, and qualification testing in accordance with international standards.

The R&D facility has laboratories for electron microscopy, sample preparation, physical and chemical analysis and mechanical properties, to study and develop new materials with higher strength and reliability, including special steels and alloys. The laboratories boast state-of-the-art equipment, including

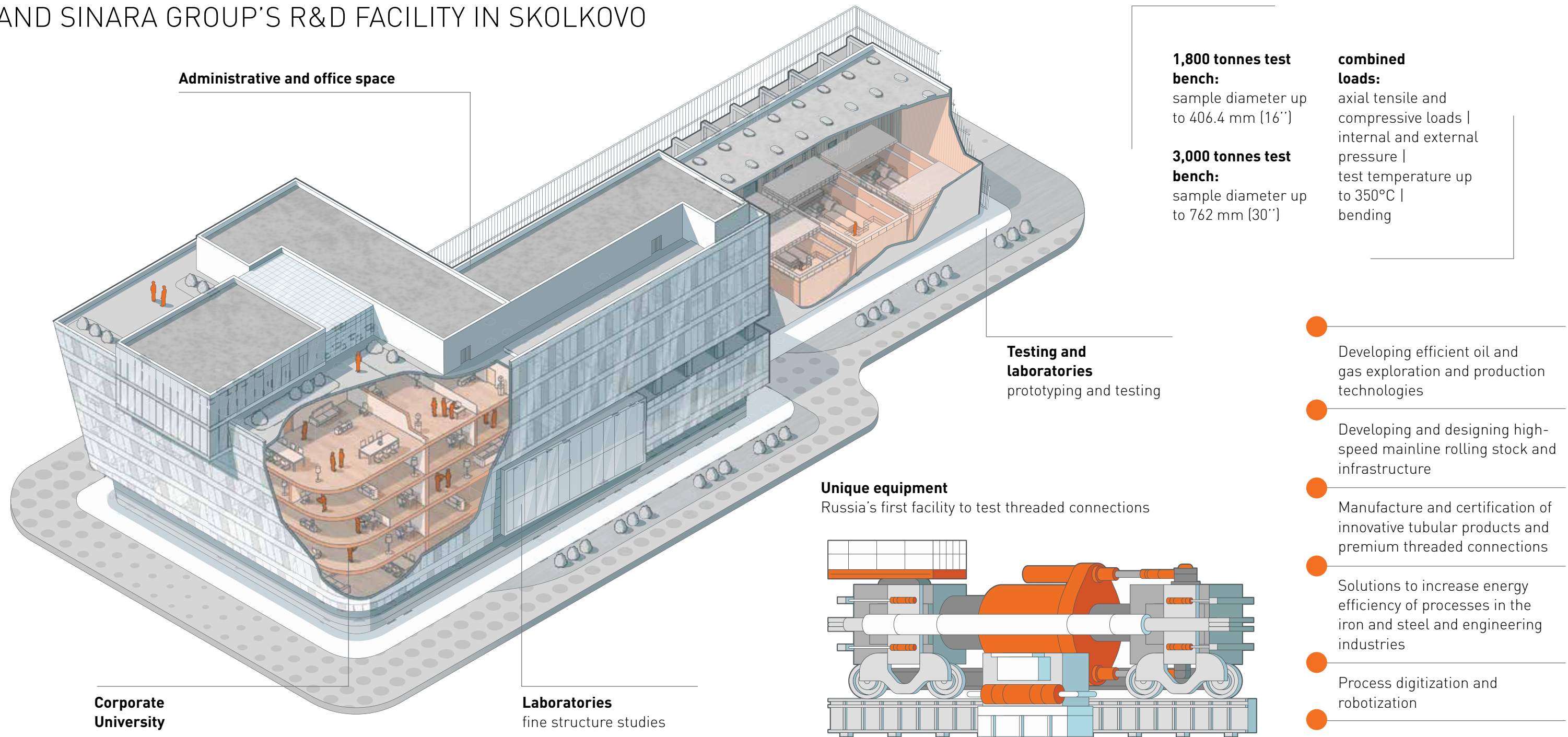
high-precision microscopes, spectrographs and instruments for physical and chemical analysis, which can help deliver the most complex solutions across the entire chain of new product development, testing and commercialization. Some of this new equipment has been procured by TMK for the first time ever. This new element of the Skolkovo Innovation Center ecosystem will help create new, high-tech jobs and offer unique professional development opportunities for a new generation of Russian engineers and researchers. The R&D facility will employ about 400 specialists – both scientists and researchers.

the Company invested over

\$30

million into the construction and equipment of the new R&D facility

TMK AND SINARA GROUP'S R&D FACILITY IN SKOLKOVO



16

thousand sq. m. of total area

5

RUB

bn of investments

400

employees

TMK's R&D centers collaborate with specialized research organizations and universities to conduct experimental research run under R&D cooperation programmes with major consumers of TMK's products.

In 2019, research conducted in cooperation with specialists from TMK's production facilities of the Russian, European and American divisions covered the following areas:

- Boosting the economic efficiency of pipe and billet manufacturing
- Improving pipe technologies to enhance the product's operational properties, quality and appearance, cut costs, improve working conditions and mitigate environmental impact
- Ramping up new production capacity at TMK plants
- Creating new technologies to manufacture new products
- Deploying digital technologies
- Improving the regulatory framework and technical documentation, developing national and corporate standards for pipe, billets, and flat-rolled products

- Use of special steel grades to make products with specific properties
- New threaded connections for drill pipe, casing and tubing for use in new hydrocarbon production technology applications

In the reporting year, we developed, tested, and deployed a considerable number of innovative technologies and solutions:

- Corporate standards for products; state-of-the-art test methods
- Building and deployment of digital twins of continuous hot mills to improve technology and performance of hot-rolled pipe production using advanced digital technologies
- Deployment of new steel grades to make pipes with higher resistance to local deformation for use in subsea pipelines
- Expanding the product range of corrosion-resistant high-strength tubing and couplings made of complex alloy steel grades
- New threaded connections with higher reliability and strength

2

test benches

11

laboratories

TMK WORKS WITH RUSSIAN OIL AND GAS MAJORS UNDER R&D COOPERATION PROGRAMMES, INCLUDING IMPORT SUBSTITUTION INITIATIVES

2017–2020

ROSNEFT

Technology Partnership Program

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

2015–2020

Cooperation memorandum under the program of pipe import substitution in offshore projects

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



2016–2020

GAZPROM

R&D Cooperation Program

- **Large diameter** pipe, including for subsea pipelines
- **Seamless line pipe**
- **OCTG** with premium threaded connections
- **Casing large** diameter pipe with premium threaded connections and welded tool joints



2015–2023

“Future thing” agreement

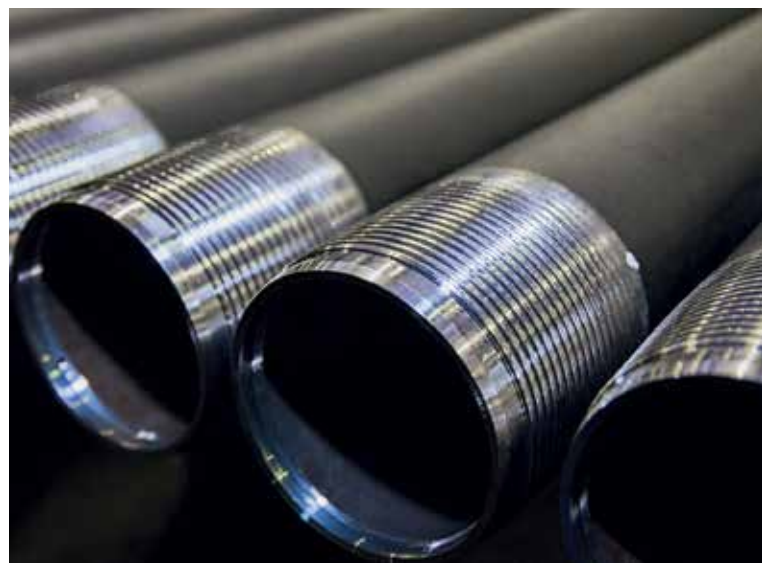
- **OCTG** – casing and tubing pipe – with cold-resistant, corrosion-resistant and hydrogen sulfide resistant premium threaded connections from chromium-nickel alloy and other alloy steels

2019–2023

NOVATEK

Strategic Partnership and Cooperation Agreement

- **Casing and tubing** pipe with premium threaded connections



2019–2021

IRKUTSK OIL COMPANY

Technology Partnership Program

- **Integrated supplies** of line pipe and pipeline connection



GAZPROM NEFT

Technology Partnership Program

- **Vacuum insulated** tubing
- **Insulated** large diameter pipe
- **High collapse** casing pipe
- **Integrated supplies** of line pipe and pipeline connection elements
- **OCTG** with premium threaded connections, including for offshore projects

GAZPROM BURENIYE

Long-Term Strategic Partnership Agreement

- **Full product** mix of steel drill pipe, including with premium threaded connections

2017–2022

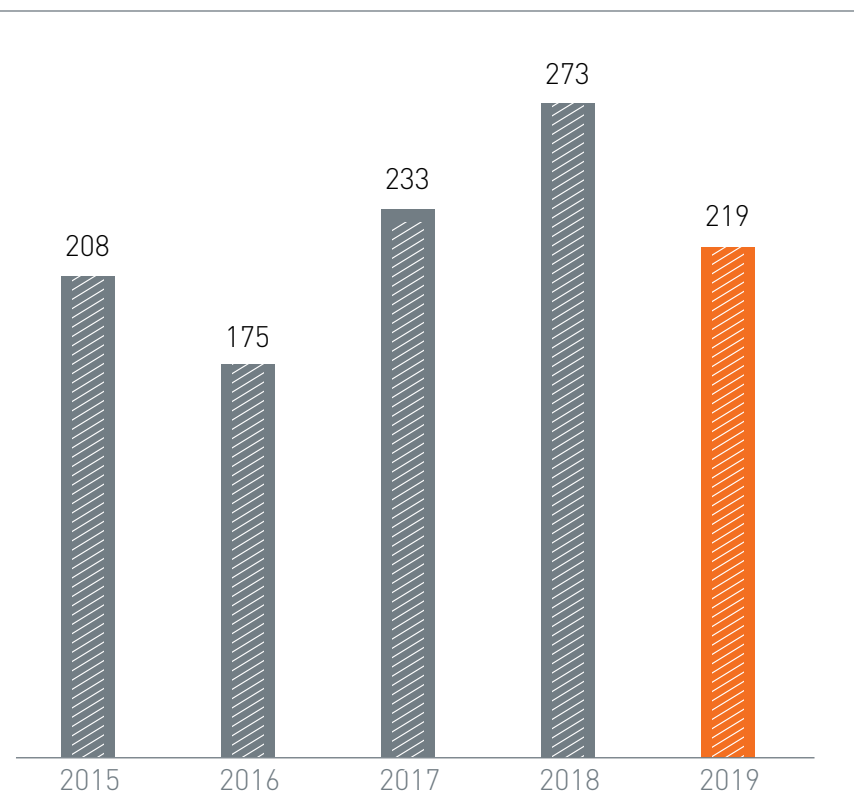
2018–2020

CAPITAL EXPENDITURES

In 2019, TMK Group's capital expenditures totaled \$219 million (down 20% year-on-year). The Company's target annual CAPEX in the medium term is expected to be below \$200 million.

TMK focuses on projects that allow us to increase production of high value-added products, improve product quality while reducing the environmental footprint of production.

Capital expenditures, \$ million



KEY PROJECTS COMPLETED UNDER THE STRATEGIC INVESTMENT PROGRAMME IN 2019



VOLZHISKY PIPE PLANT:

- Linsinger cut-off machine for couplings commissioned
- Provision of testing equipment for mechanical testing lab completed
- Four new cranes commissioned under a crane replacement programme in 2019

TAGMET:

- A non-destructive testing unit was upgraded by installing a new ultrasonic pipe testing system capable of identifying defects of less than 12.5 mm, and increasing productivity
- UT system for weld examination was commissioned on the drill pipe line



SINARSKY PIPE PLANT:

- Pipe finishing integrated facility (pipe length measurement, weighing, coating with storage compound, labeling and marking and packing) was started up as part of the programme to expand OCTG production capacity
- A press for hydraulic testing of pipes was commissioned for pilot operation to ensure conformity to customer requirements for line pipe and pipes for threading
- Advanced automated NDT line was commissioned in pipe rolling shop No. 3 (T-3), capable of testing at least 60 pipes per hour using the ultrasonic and magnetic induction techniques. The former detects wall thickness deviations, while the latter helps detect discontinuities (non-homogeneity) of metal adversely affecting the pipe quality, reliability and service life. The new line uses Russian innovative NDT solutions
- A new mechanical draft cooling tower with a treated water recycling system was commissioned for efficient cooling of reusable water, lower consumption of makeup water, and lower discharge of non-reusable water contaminated by solids and petroleum products

SEVERSKY PIPE PLANT:

- Complete heat treatment line, water treatment line, pipe straightener and sizing mill installed as part of a comprehensive revamp of the pipe-rolling facilities

Pilot operation of the above equipment commenced in January 2020. The new integrated facilities can produce up to 300 ktpa of pipe and can heat treat pipes with diameters from 168 mm to 370 mm and wall thicknesses from 6.4 mm to 40 mm. Investments in the project totaled about RUB 5.5 billion, with 110 new jobs created.

The new heat treatment facility will produce premium pipe products for use in developing hard-to-recover deposits as well as drilling in aggressive environments and in the Far North. The new integrated facilities were built through a partnership with RUSNANO under an agreement to upgrade Seversky Pipe Plant. Pipe properties were improved by alloying and microalloying with nanostructure alloys which improved strength, ductility and corrosion resistance by 15% to 20%. The new high-tech equipment features automatic control of

heat treatment, while water treatment facilities use water recycling to enable reuse of 20 million m³ of water per year. The facilities recycle 99% of water used by the heat treatment line, which markedly reduces the environmental footprint

- Lime kiln No. 1 is mechanically complete following an upgrade involving the installation of dust removal equipment for flue gas cleaning, and installation of electrical equipment is nearing completion. Completion of all works is scheduled for 2020



TMK'S R&D FACILITY IN SKOLKOVO:

The building is complete and in full operation. Unique equipment for measuring properties of threaded pipe connections in accordance with international standards ISO 13679 and ISO 12835 – test benches with a load capacity of 3,000 and 1,800 tonnes – was commissioned

TMK-ARTROM:

As part of the heat treatment facility project, a contract for the supply of an NDT line was concluded, with delivery scheduled for the end of 2020. Contracts were placed for Reika cut-off machines for Assel mill No. 1 and preliminary acceptance of equipment was completed. Delivery, installation, and commissioning are scheduled for February 2020. Another contract was signed for four beveling machines for CPE mill No. 2, with delivery scheduled for Q1 2020

TMK-RESITA:

Under its environmental programme, the Company has commenced a project to install a roof over the hot slag pouring platform to reduce dust emissions, scheduled for completion in 2020

The environmental initiatives implemented by TMK Group's facilities as part of our investment programme helped reduce gross pollutant emissions by 4%, wastewater discharge into water bodies by 3%, and total waste generation by 9% year-on-year

LIQUIDITY MANAGEMENT

Improving TMK's liquidity profile remains one of our priorities, and we continue to carry out measures to maintain sufficient liquidity and improve the loan portfolio structure.

Our total debt increased from \$2,867 million as at December 31, 2018 to \$3,006 million as at December 31, 2019 driven by the rouble appreciation against the US dollar. Net repayment of borrowings in 2019 amounted to \$50 million, with net debt at \$2,503 million.

BY THE WAY

Volzhsky Pipe Plant commenced a project to deploy a Warehouse Management System (WMS) to automate finished product warehouses of production shops. The project, dubbed the "Smart Warehouse" by the plant employees, envisages complete automation of all warehousing operations.

Total debt and net debt, \$ million



The share of our short-term debt as at the end of 2019 was 45% compared to 31% as at December 31, 2018 as our Eurobond debt totaling \$500 million and maturing in April 2020 was reclassified as short-term debt.

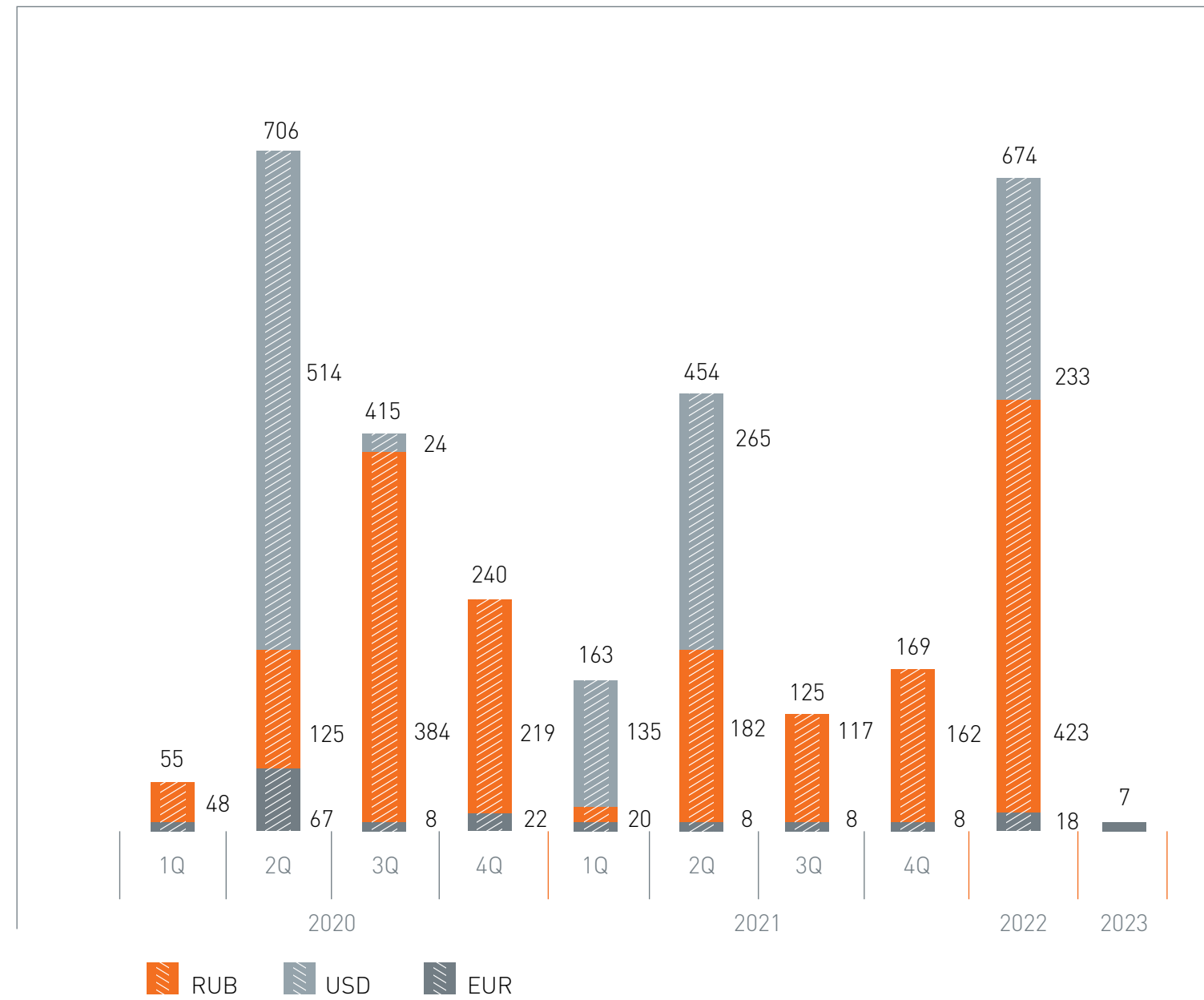
During the reporting year, TMK Group improved its liquidity profile, including by extending maturity dates, mitigating the foreign exchange risk, and decreasing debt financing costs. As at the end of 2019, the rouble-denominated portion of our debt represented 56%, the U.S. dollar-denominated portion 39%, and the euro-denominated portion 5% of our total debt. As at December 31, 2019, our weighted average nominal interest rate was 6.95%, i.e. a 35 bps decrease year-on-year.

Most of the proceeds from the sale of IPSCO Tubulars Inc. were used for deleveraging.

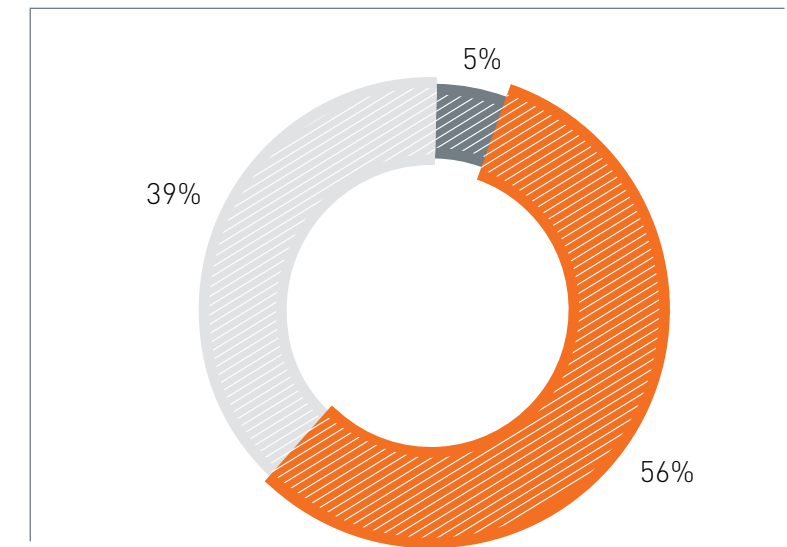
In February 2020, TMK completed a \$500 million seven-year Eurobond issue with a coupon of 4.3%. The proceeds were used to refinance TMK's \$500 million Eurobond maturing in April 2020.

In April 2020 TMK issued 001P-01 series bonds in the amount of 10 billion roubles with a maturity period of two years on the Moscow Exchange. The coupon rate was set at 8.35% pa and the coupons will be paid semi-annually.

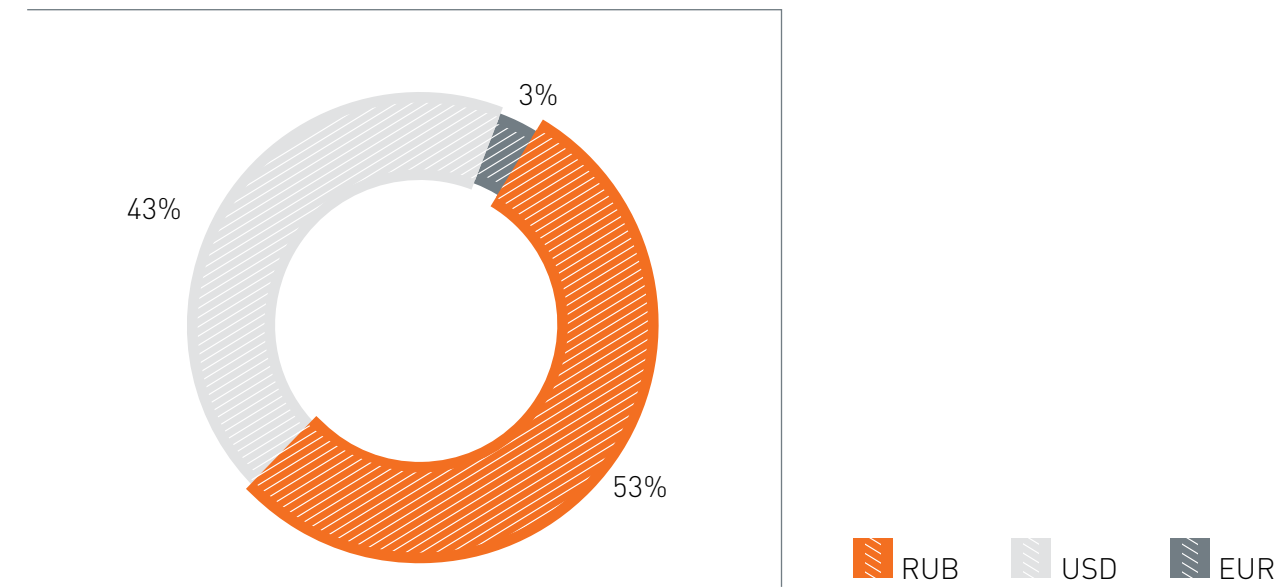
Debt repayment schedule as at December 31, 2019, \$ million



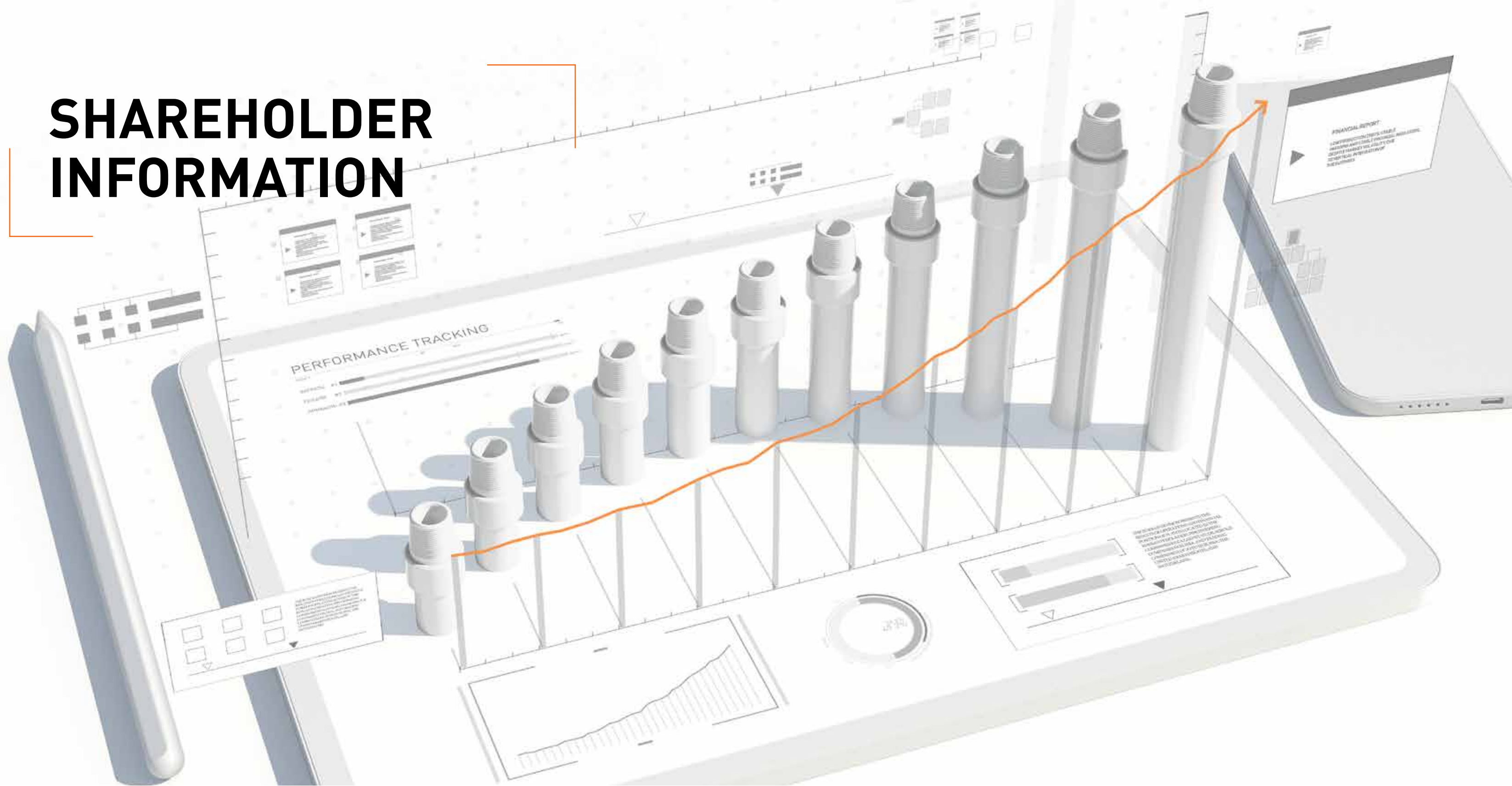
Debt by currency as at December 31, 2019, %



Debt by currency as at December 31, 2018, %



SHAREHOLDER INFORMATION



COMPANY'S SECURITIES

ORDINARY SHARES

As at December 31, 2019, the share capital of PAO TMK was comprised of 1,033,135,366 fully paid-up ordinary shares with a nominal value of RUB 10 each. PAO TMK has not issued any preferred shares, either outstanding or authorized.

Authorized capital totals RUB 10,331,353,660.

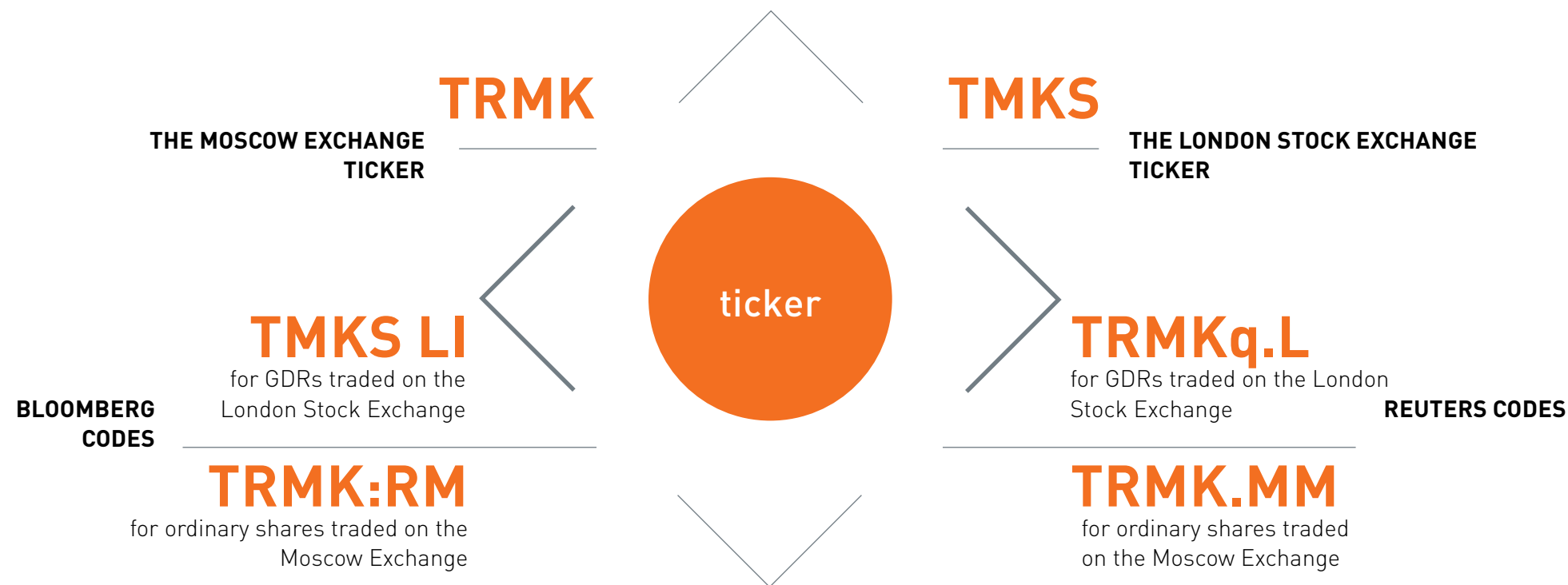
Ordinary shares of PAO TMK are traded on the Moscow Exchange and are included into the A1 quotation list of PJSC Moscow Exchange; TMK's global depository

receipts (GDRs) are traded on the London Stock Exchange (LSE).

The GDR to ordinary share ratio is 1:4. The Bank of New York Mellon Corporation (BNY Mellon) acts as the Company's depository bank.

In September 2018, TMK's Board of Directors approved a programme to repurchase the Company's shares, including global depository receipts (GDRs) representing such shares, in the open market (the "Buyback Programme") for an aggregate amount of up to \$30 million. The Buyback Programme was started in October 2018 and continued throughout 2019. The share purchases on behalf of the Company under the Buyback Programme were made by a professional broker – VTB Capital Broker – on regulated stock exchanges in accordance with applicable laws and regulations.

The securities were purchased by Volzhsky Pipe Plant, a PAO TMK subsidiary.



BONDS

As of April 24, 2020, the Company had four outstanding rouble exchange bond issues with an aggregate par value of RUB 30 billion and a \$500 million Eurobond issue maturing in February 2027.

In February 2020, TMK completed a \$500 million seven-year Eurobond issue with a coupon of 4.3%, and in April 2020, redeemed its \$500 million Eurobond issue.

Rouble bonds

	BO-5	BO-6	BO-7	001P-01
Amount issued, RUB million	5,000	5,000	10,000	10,000
Coupon	7-9 coupon – 9.00%	7-9 coupon – 8.0%	1-8 coupon – 9.35%	1-4 coupon – 8.35%
Term	10 years	10 years	10 years	2 years
Issue date	April 13, 2016	April 25, 2017	June 02, 2017	April 23, 2020
Maturity date	April 01, 2026	April 13, 2027	May 21, 2027	April 21, 2022
Next put date	October 07, 2021	April 21, 2020	May 28, 2021	–
Coupon payments	Each 182 days	Each 182 days	Each 182 days	Each 182 days

Eurobonds

Eurobonds-2027	
Issuer/Lender	TMK Capital SA
Borrower	PAO TMK
Type	LPN
Amount issued, USD	500,000,000
Issue date	February 12, 2020
Maturity date	February 12, 2027
% rate	4.3%
Trading platform	Euronext Dublin
ISIN RegS	XS2116222451
ISIN 144A	–
Credit ratings(S&P/Moody's)	BB-/B1

CREDIT RATINGS

On January 22, 2020, Moody's Investors Service (Moody's) upgraded the outlook on TMK's credit rating from Stable to Positive and affirmed the Company's "B1" corporate family rating. On January 29, 2020, S&P Global Ratings upgraded TMK's credit rating from "B+" to "BB-".

According to the rating agencies, the rating moves reflected the closing of the deal to sell 100% of the shares of IPSCO Tubulars Inc. by TMK and the expectation that TMK would use most of the proceeds from the sale for deleveraging. The new ratings reflect the expectation that the Company will be able to reduce leverage, maintain adequate liquidity and demonstrate good operational and financial performance.

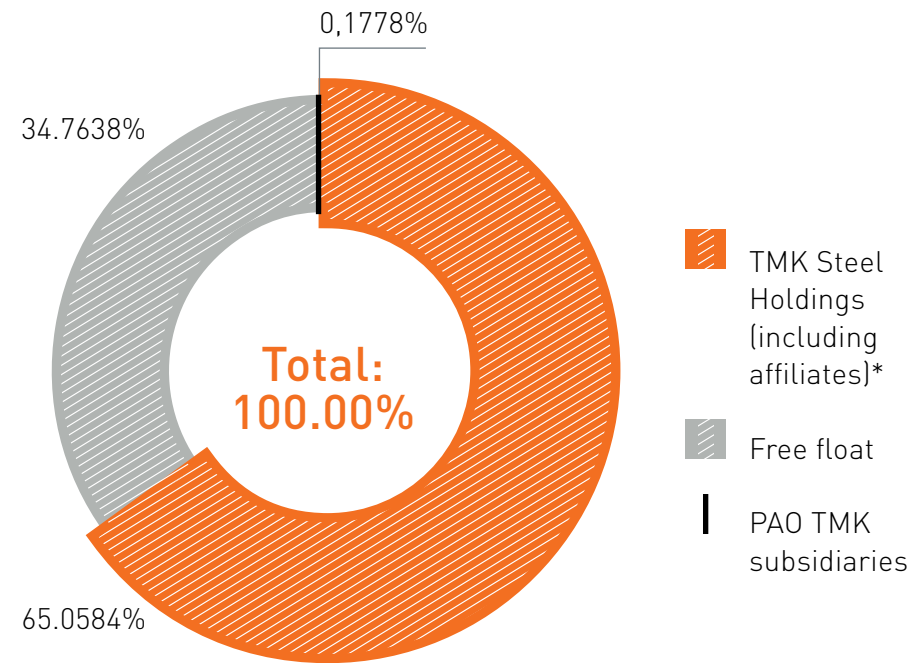


Credit ratings

	S&P Global	Moody's	RAEX (Expert RA)
Long-term credit rating	BB-	B1	
Outlook	Negative	Positive	Stable
Long-term credit rating, national scale	-	-	ruA
Last revised	April 20, 2020	January 22, 2020	April 15, 2020

SHARE CAPITAL STRUCTURE

PAO TMK SHAREHOLDINGS AS AT DECEMBER 31, 2019



As at December 31, 2019, 34.7638% of PAO TMK shares were free float. Approximately 71% of the shares in free float were ordinary shares, and about 29% - traded as GDRs on the London Stock Exchange. PAO TMK's Board of Directors and Management Board jointly held a total of 334,007 shares, or 0.0323% of the Company's authorized capital.

* The main beneficiary is Dmitry Pumpyanskiy.



DIVIDENDS

TMK's dividend policy is governed by the principles of balanced capitalization growth and higher dividends, based on the net profit for a relevant period and factoring in the Company's operational needs and investment requirements. PAO TMK's Board of Directors generally recommends the General Meeting of Shareholders to pay dividends on the outstanding shares in amounts equal to at least 25% of the Company's IFRS consolidated net profit.

Key priorities of TMK's dividend policy include higher capitalization of the Company,

a compelling investment case, wealth growth, and balancing the interests of all shareholders. The dividend policy is articulated in the Regulations on the Dividend Policy (https://www.tmk-group.com/media_en/files/51/Polozhenie_o_divid_politike_PAO_TMK_na_angl.pdf), which seek to build a transparent and effective mechanism for determining the amount of dividends and the dividend payout procedure, and outlining the Board of Directors' strategy in preparing recommendations on dividends payable on shares, and the terms and procedure for dividend payouts.

Dividends accrued and paid out by the Company from 2012 to 2019

Dividend period	Total dividends, RUB million	Dividend per share, RUB	Announcement date	Payment date set by the General Meeting
6M 2012	1,406.38	1.5	November 02, 2012	December 28, 2012
2012	787.57	0.84	June 25, 2013	August 23, 2013
Total dividends accrued in 2012: RUB 2,193.95 million				
6M 2013	975.09	1.04	November 11, 2013	January 10, 2014
2013	731.32	0.78	June 19, 2014	August 10, 2014
Total dividends accrued in 2013: RUB 1,706.41 million				
6M 2014	393.79	0.397	December 25, 2014	February 15, 2015
6M 2015	2,400.41	2.42	October 12, 2015	November 29, 2015
6M 2016	2,004.283	1.94	September 29, 2016	November 14, 2016
2016	2,024.945	1.96	June 08, 2017	July 26, 2017
Total dividends accrued in 2016: RUB 4,029.228 million				
2017	2,355.549	2.28	June 21, 2018	August 06, 2018
3M 2019	2,634.495	2.55	June 28, 2019	August 22, 2019

SHAREHOLDER RIGHTS

PAO TMK makes every effort to ensure that shareholders can exercise their rights as set forth in the Company's Articles of Association:

- The Company holds Annual General Meetings of Shareholders and complies with the respective recommendations of the Russian Corporate Governance Code (see paragraphs 1.1.1.–1.1.5 of the Appendix to this Report); and starting from 2019 the Company has been providing shareholders with remote access to General Meetings through teleconferencing
- The Company holds extraordinary General Meetings of Shareholders, if this is requested by share holder(s) owning at least 10% of shares or the Board of Directors, or if requested by the Revision Committee or auditor
- The Company ensures that shareholders owning at least 2% of shares can put forward proposals as regards the agenda for the Annual General Meeting, propose nominees to, and candidates for, the Board of Directors, the Revision Commission, and the Counting Commission, as well as convene meetings of the Board of Directors
- The Company has adopted the dividend policy (updated in 2018, <https://www.tmk-group.ru/Documents>, <http://www.e-disclosure.ru/portal/files.aspx?id=274&type=1>) and is building a strong dividend track record (see the Shareholder Information section of this Annual Report)
- The Company complies with all recommendations on material corporate actions which safeguard the rights of shareholders and ensure equal treatment of shareholders (execution by the Company of major transactions or other actions that could lead to material changes in the rights of shareholders or damage their interests)
- The Company prepares and discloses the Company's financial (accounting) statements and selects an internationally recognized auditor to review them
- The Company ensures timely disclosure of material facts relating to the Company's operations, constituent documents, internal regulations and guidance
- The Company continuously engages with shareholders and investors by updating its website page at <https://www.tmk-group.com/ir>; publishes financial statements, press releases and presentations; holds Capital Markets Days and conference calls, responds to individual queries, etc.
- The Company regularly updates shareholder details jointly with the registrar
- The registrar's website offers the Shareholder's Personal Account service whereby persons on the shareholder register, including clients of nominee holders, can obtain materials for Annual General Meetings of Shareholders, vote online, as well as view personal account balances, shareholder details, dividends accrued and taxes withheld.



TRANSPARENCY

Purpose:

provide shareholders, the investment community and other stakeholders with equal and timely access to information about the Company's performance, enabling them to make informed decisions regarding TMK and its securities.

Governing regulations:

- Regulations on the Information Policy (https://www.tmk-group.ru/media_ru/files/51/Polozhenie_ob_informacionnoy_politike_2018.pdf)
- Regulations on Insider Information (https://www.tmk-group.com/media_en/files/51/tmk_inside_reg0417.pdf)
- List of Insider Information (https://www.tmk-group.com/media_en/files/51/tmk_inside_inf2017_en.pdf)
- Internal regulations on cooperation between TMK business units and entities in the process of information disclosure

Implementation:

executive bodies, the Corporate Secretary, Vice President, Investor Relations and other Company units within the powers granted to them by internal regulations.

Control:

Board of Directors and TMK dedicated units.

Mandatory disclosures:

<http://www.e-disclosure.ru/portal/company.aspx?id=274> and <https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/exchange-insight/company-news.html?fourWayKey=US87260R2013USUSDIOBE>

<https://www.tmk-group.ru>

<https://www.tmk-group.com>

- Strict compliance with all statutory, regulatory and stock exchange requirements
- Simultaneous disclosures in Russian and English
- Disclosure of material facts, issuer's reports, including TMK's IFRS consolidated financial statements and RAS accounts, list of affiliates, (the Company's internal regulations and policies)
- Quarterly press releases presenting analysis of the Company's operational and financial performance, as well as guidance

Additional disclosures:

<https://www.tmk-group.ru/ir>
<https://www.tmk-group.com/ir>

- Quarterly publications of TMK's IFRS consolidated financial statements
- Quarterly financial and operational performance presentations (https://www.tmk-group.com/Corporate_presentations)
- Quarterly calls for investors and analysts to discuss the Company's results and guidance
- Capital Markets Days (<https://www.tmk-group.com/cmd2019>)
- Investor roadshows
- Participation in investment and industry conferences
- Site visits to TMK's facilities for investors and analysts
- Feedback

Improvement

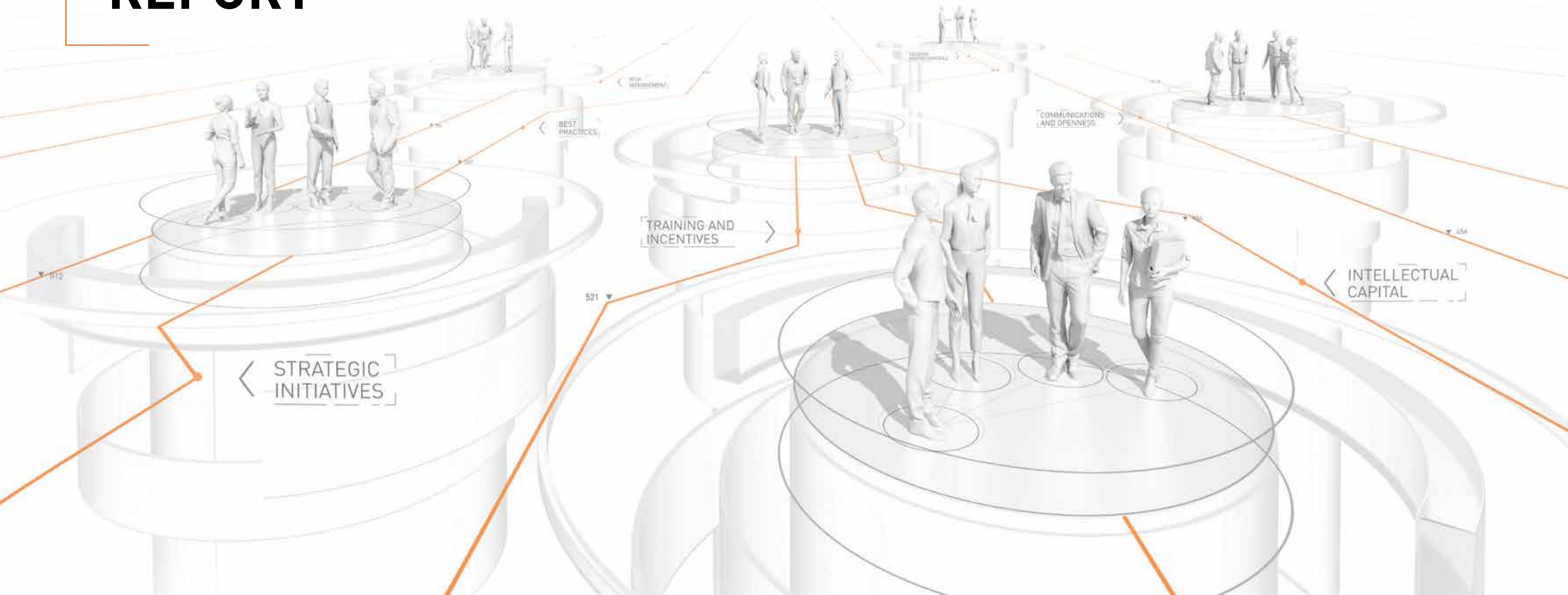
TMK representatives play an active part in efforts to improve disclosure regulations to increase their relevance and eliminate redundant, unnecessary formal procedures and duplications (a regulatory guillotine process).



2020 plans:

- Update the internal regulations and redesign the existing business processes in line with the expected reform of information disclosure in the Russian Federation
- The management of TMK Group decided to use the Russian rouble instead of the US dollar as the presentation currency for its IFRS consolidated financial statements, effective as of 1Q 2020. The Russian rouble is the functional currency of PAO TMK and most of its subsidiaries (upon completion of the sale of IPSCO on January 02, 2020). Given the high volatility in the rouble's exchange rate against the US dollar, presentation of financial performance in Russian roubles has lately served to reduce the FX-induced volatility in the reporting and provide the users with more accurate information about TMK Group's financial results, financial position and cash flows.

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE FRAMEWORK



ACCORDING TO THE NATIONAL CORPORATE GOVERNANCE INDEX ANNUAL SURVEY, **TMK RANKED AMONG THE TOP 20 RUSSIAN COMPANIES WITH THE BEST CORPORATE GOVERNANCE DISCLOSURES IN 2019.**

Purpose

To build and implement a governance system that facilitates asset protection and the long-term growth of the Company, safeguarding the interests of all shareholders and ensuring their control over PAO TMK's operations, incorporating careful consideration and balancing the interests of all stakeholders.

Governing regulations:

- applicable laws
- listing requirements
- the Corporate Governance Code recommended by the Bank of Russia, internal documents, including TMK Group's Corporate Governance Code and

Code of Ethics

<http://www.e-disclosure.ru/portal/files.aspx?id=274&type=1>

<http://www.tmk-group.ru/Documents>).

A new
Code of Ethics

Refreshed
membership
of the governing
bodies

5

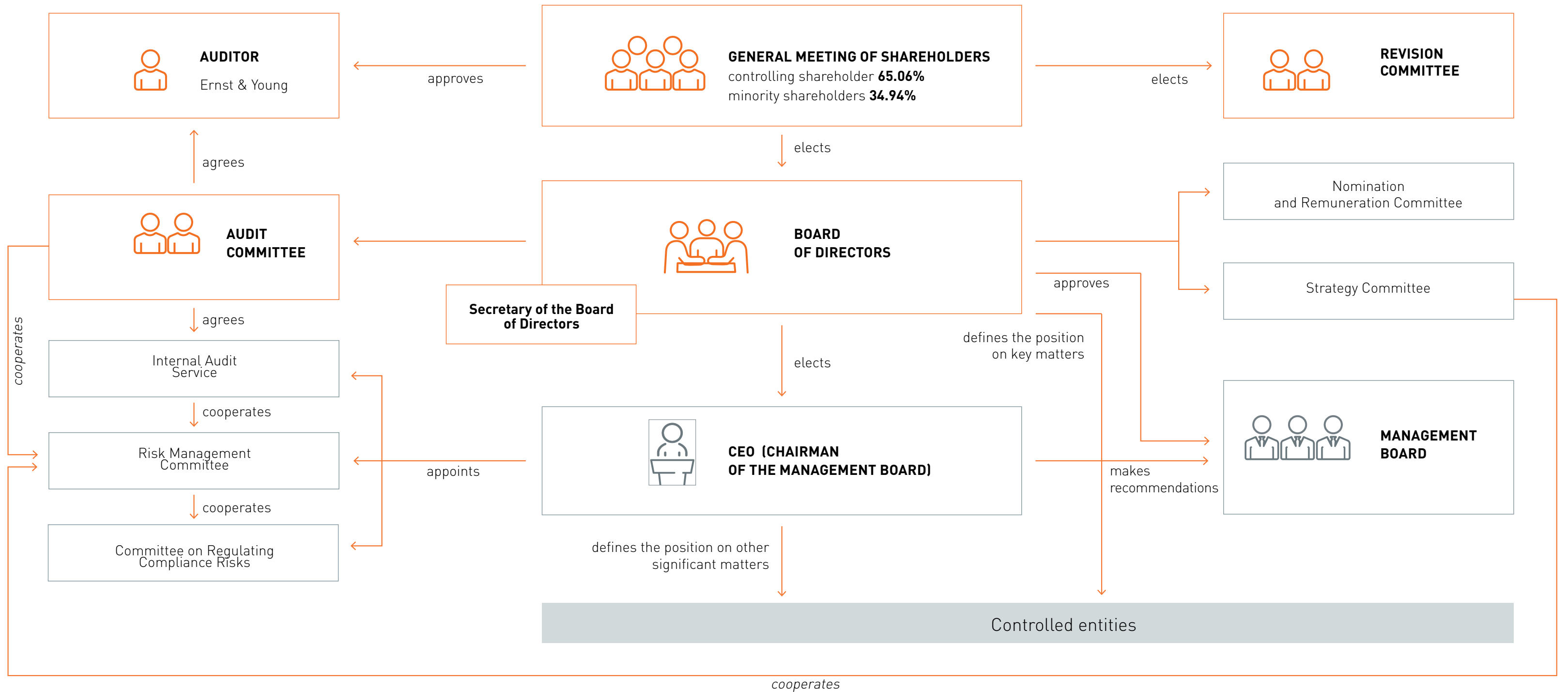
out of 11
Board members
are independent
directors

External assessment
of the Board
of Directors'
performance

A RUB
2.55

dividend per share
was paid
in 2019

PAO TMK'S CORPORATE GOVERNANCE FRAMEWORK



The Articles of Association stipulate that the General Meeting of Shareholders is PAO TMK's supreme governing body (https://www.tmk-group.com/media_en/files/51/POLOZhENIE_OB_OSA_PAO_TMK_2018_nov_na_angl.pdf), which elects the Board of Directors and the Revision Committee, and approves the auditor.

The Board of Directors (https://www.tmk-group.com/media_en/files/51/POLOZhENIE_O_SD_PAO_TMK_2018_nov_na_angl.pdf):

- elects the CEO and approves candidates for the Management Board, as advised by the CEO

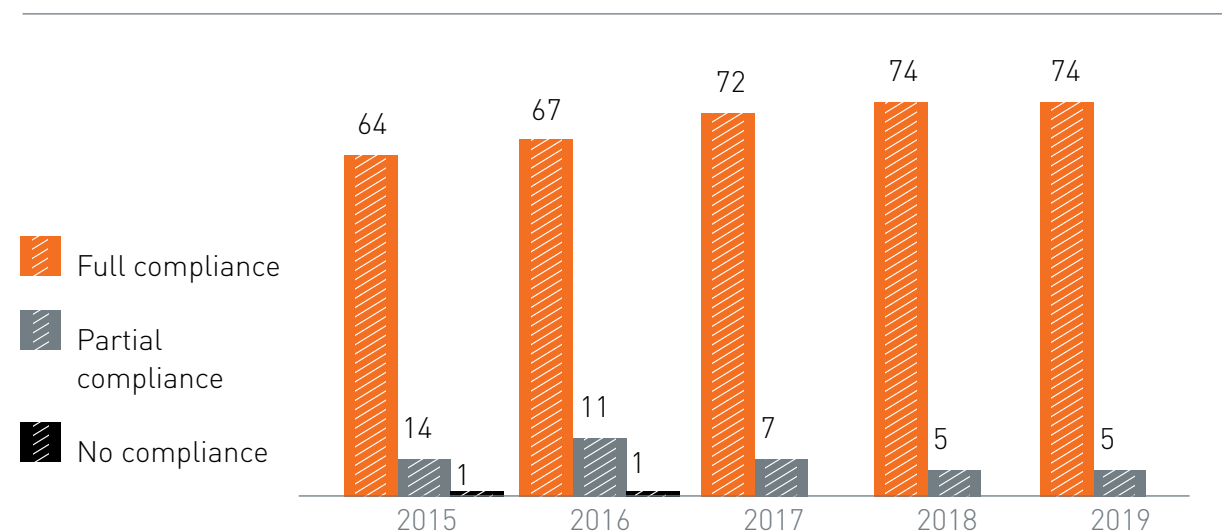
- proposes candidates for executive bodies, as well as nominees to the boards of directors of controlled entities
- establishes committees whose resolutions are of an advisory nature.

Compliance with the Corporate Governance Code recommended by the Bank of Russia

Summarizing the results of its five-year effort to implement the recommendations of the Russian Corporate Governance Code, PAO TMK's Board of Directors notes the Code's appreciable value for the purposes of corporate governance and states that the Company has now implemented all applicable recommendations to improve the existing corporate practices (see comments to paragraphs 2.5.1, 2.8.1., 2.8.2., 6.1.2. and 7.2.2. in the Appendix to this Annual Report). Nevertheless, the Board of Directors will continue to follow the Code's recommendations in its practical activities and will further refine related compliance controls for the benefit of all stakeholders.

Detailed Corporate Governance Code Compliance Report is attached to this Annual Report.

Russian Corporate Governance Code incorporation progress at PAO TMK



Progress towards the goals in 2019:

- In early 2019, we approved the **updated TMK Group's Code of Ethics** (https://www.tmk-group.com/media_en/files/51/Code_of_Ethics.pdf), which consolidates various elements

of business ethics previously governed by several different regulations and policies. The Code is a crucial tool for building TMK Group's overall corporate culture and core values, and is aimed at preventing instances of misconduct.

- External performance assessments of the Board of Directors, its Committees and individual Board members were carried out. The results were reviewed at an in-person Board meeting on April 25, 2019.

- Shareholders were provided with remote access to general meetings through teleconferencing.

2020 priorities:

- Complete the project to introduce electronic voting at the General Meetings of Shareholders held in person through electronic ballots, including via a mobile application
- Continue enhancement of our corporate governance practice through the adoption of advanced standards

BOARD OF DIRECTORS AND ITS COMMITTEES



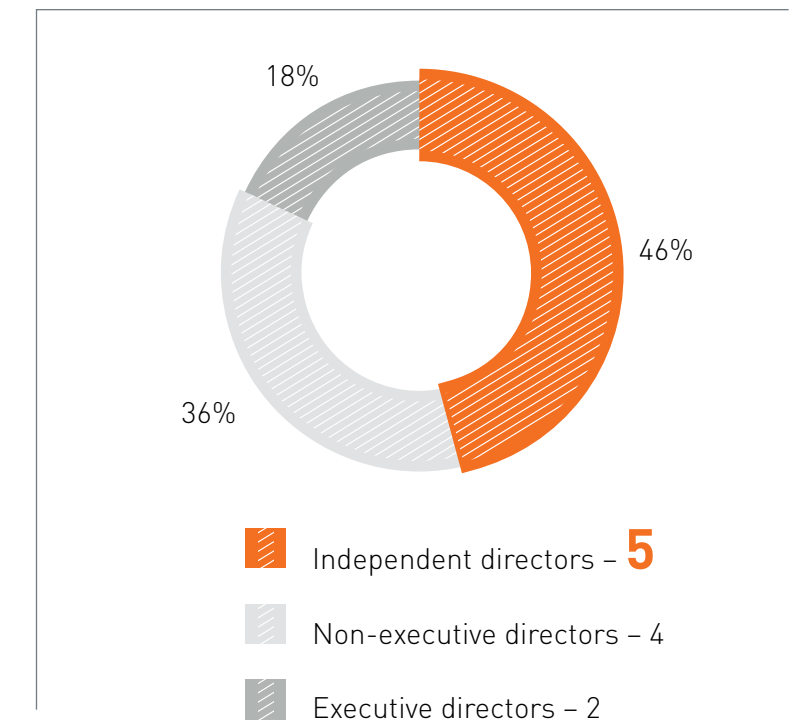
OVER THE PAST SEVEN CONSECUTIVE YEARS, PAO TMK'S BOARD MEMBERS HAVE BEEN CONSISTENTLY RECOGNIZED AMONG THE BEST PROFESSIONALS IN CORPORATE GOVERNANCE BY THE DIRECTOR OF THE YEAR NATIONAL AWARDS.

COMPOSITION OF THE BOARD OF DIRECTORS

Changes in the composition of the Board of Directors in 2019
(resolutions of the General Meeting of Shareholders held on June 20, 2019)

	New members	Tenure on the Board of Directors (years)	Stepped down
Independent directors	Frank-Detlef Wende Natalya Chervonenko	Yaroslav Kuzminov (1.5) Sergey Kravchenko (3.5) Alexander Shokhin (11.5)	Peter O'Brien Robert Mark Foresman
Non-executive directors	Mikhail Khodorovsky	Dmitry Pumpyanskiy (15.5) Alexander Pumpyanskiy (2.5) Anatoly Chubais (4.5)	Sergey Papin
Executive directors		Andrey Kaplunov (14.5) Alexander Shiryaev (14.5)	

Board composition and independence



INDEPENDENT DIRECTORS

Independent Directors account for about a half of the Board members (five out of eleven).

The independence of a Board member is assessed by the Nomination and Remuneration Committee when the list of

nominees to the Board of Directors is being drawn up, and is verified for the Moscow Exchange on a quarterly basis.

The Board of Directors may recognize a Board member

as independent even if the Board member has signs of affiliation with the issuer. Board member Alexander Shokhin, whose tenure on the Board exceeds eleven years, has been recognized by the Board of

Directors as independent; the Board resolution is disclosed on TMK's website: https://www.tmk-group.com/bod/Alexander_N_Shokhin.

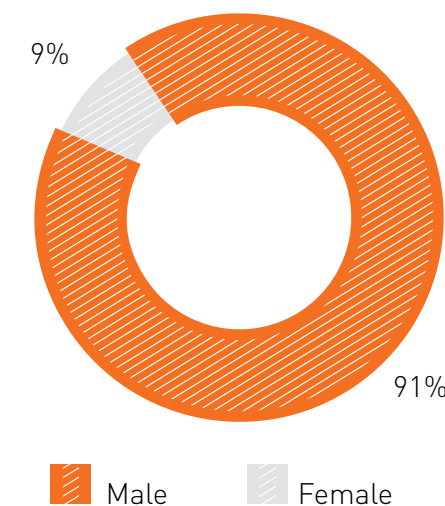
Professional competence, communication skills and acknowledgement

Members of the Board of Directors of PAO TMK are individuals capable of making independent judgements; they are distinguished for their impeccable business and personal reputation and possess all the required skills: more than half of the eleven Board members have higher academic degrees, including three doctors of sciences. Eight Board members have economics degrees and one of them also holds an engineering degree. One Board member has a degree in management and two Board members hold engineering degrees. Six Board members have received state awards – orders of the Russian Federation.

Female representation on the Board of Directors

In 2019, Natalia Chervonenko was elected to the Board as an independent director and the Audit Committee Chair. Natalia possesses all the required skills as well as an impeccable professional reputation, with extensive experience as a senior executive and board member at major Russian banks and companies.

Gender balance of the Board

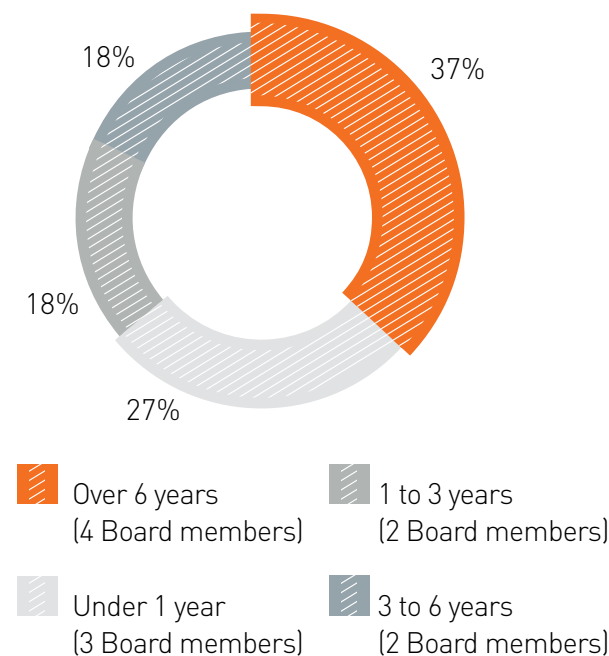


Over the past seven consecutive years, members of TMK’s Board of Directors have been consistently recognized among the best professionals in corporate governance by the Director of the Year National Awards held annually by the Professional Directors Association and the Russian Union of Industrialists and Entrepreneurs in partnership with PricewaterhouseCoopers (PwC). Member of PAO TMK’s Board of Directors Alexander Shokhin was ranked among the Top 50 Independent Directors in 2019. Dmitry Pumpyanskiy, Chairman of TMK’s Board of Directors, was included in the Top 25 ranking of board chairmen (<https://nand.ru/professional-information/ratings/rating-2019/>).

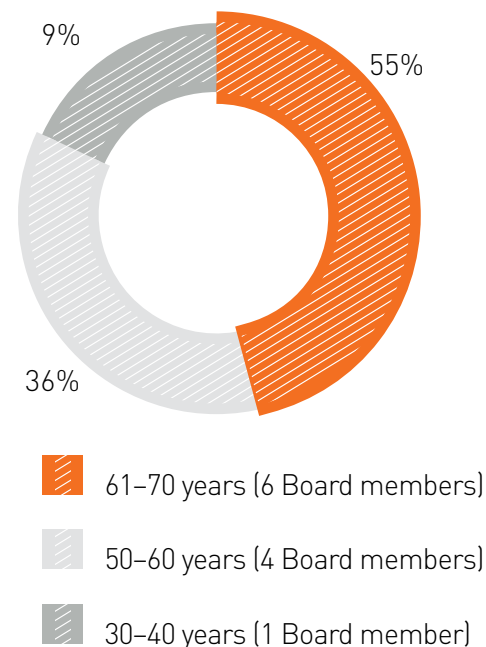
Board members’ liability insurance

Starting from 2006, TMK has insured the liability of its Board members and officers. Liability insurance covers the insured persons against any possible damage caused by unintentional errors (or omissions) in the course of managing the Company. Insured events also include claims filed against the Company in respect of its securities. The terms and conditions of insurance contracts, including risk coverage, comply with the international best practice in insurance against similar risks. The maximum coverage per claim and per policy period amounts to \$50 million.

Tenure on the Board of Directors



Age balance of the Board



The number of members of the Board of Directors is specified in PAO TMK’s Articles of Association and equals –

11 Board members, i.e. the optimal number for public companies

AS AT DECEMBER 31, 2019, FOLLOWING THE ANNUAL GENERAL MEETING OF SHAREHOLDERS HELD ON JUNE 20, 2019, PAO TMK'S BOARD OF DIRECTORS WAS COMPOSED AS FOLLOWS:

Dmitry Pumpyanskiy	Andrey Kaplunov	Sergey Kravchenko	Yaroslav Kuzminov	Frank-Detlef Wende	Alexander Pumpyanskiy	Natalia Chervonenko	Anatoly Chubais	Alexander Shiryaev	Alexander Shokhin	Mikhail Khodorovsky
Chairman of the Board, Non-Executive Director of Directors	Executive Director	• Independent Director	• Independent Director	• Independent Director	Non-Executive Director	• Independent Director	Non-Executive Director	Executive Director	• Independent Director	Non-Executive Director

Dmitry Pumpyanskiy

Chairman of the Board of Directors,
Non-Executive Director



Mr Pumpyanskiy was born in 1964.

He graduated from Kirov Ural Polytechnic Institute in 1986. He holds a Ph.D. in Technical Sciences and is a Doctor of Economics. He is beneficial owner of TMK and has been a member of the Board of Directors of PAO TMK since 2004. He has been Chairman of the Board of Directors since 2005. Mr. Pumpyanskiy was awarded a second class Medal of the Order for Merit to the Fatherland, a fourth class Order for Merit to the Fatherland, and the Order of Honor, is a Russian Government prize winner in Science and Technology, an Honored Metallurgist.

He was declared the winner of the Director of the Year National Award in the Chairman of the Board category: Contribution to the Development of Corporate Governance category in 2011, and was among the Top 25 Board Chairmen 2012 and from 2015 to 2019.

At present, he is extensively involved in public activities aimed at promoting the Russian metals industry.

Fields of interest: metals industry economics, and physics of metals. Author of 4 monographs and over 70 scientific papers.

Principal employment: President of JSC Sinara Group.

Direct holding in PAO TMK: 0.0063%.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	Ural Interregional Research and Education Center – Advanced Industrial Technologies and Materials	Member of the Supervisory Board
2019 – present	Council of World-Class Research and Education Centers	Member of the Council
2019 – present	JSC Sinara Group	Member of the Board of Directors
2019 – present	Russian Football Union	Member of the Board of Trustees
2018 – present	Bolshoi Theatre	Member of the Board of Trustees
2018 – present	Russian-American Council for Business Cooperation	Deputy Chairman of the Board of Trustees, member of the Board of Trustees
2018 – present	Russian Union of Industrialists and Entrepreneurs	Chairman of the Committee on Technical Regulation, Standardization and Compliance Assessment
2017 – present	St. Catherine’s Charitable Foundation	Board member
2016 – present	Chamber of Commerce and Industry of the Russian Federation	Board member
2015 – 2016	Russian Steel Association	President
2015 – present	Demidov Scientific Foundation (Yekaterinburg)	Member of the Board of Trustees
2014 – present	JSC Sinara – Transport Machines	Member of the Board of Directors
2014 – present	Foundation for Development of the Center for Elaboration and Commercialization of New Technologies	Member of the Board of Directors

CONTINUATION →

← BEGINNING

2014 – present	ISTOKI Endowment Fund	Member of the Board of Trustees
2014 – 2016	Chamber of Commerce and Industry of the Russian Federation	Member of the Management Board
2014 – present	Federation of Ski-Jumping and Nordic Combined of Russia	Chairman of the Board of Trustees
2014 – present	Russian Olympians Foundation	Board member, member of the Council of Trustees, member of the Presidium
2014 – present	Ural Federal University named after the first President of Russia B.N. Yeltsin	Chairman of the Supervisory Board
2014 – present	Sverdlovsk Regional Union of Industrialists and Entrepreneurs (Regional Association of Employers)	President
2014 – present	Russian Union of Industrialists and Entrepreneurs	Member of the Bureau, member of the Management Board
2014 – present	Russian Union of Industrialists and Entrepreneurs (All-Russia Association of Employers)	Member of the Bureau, member of the Management Board
2014 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Member of the Board of Directors
2014 – present	PAO TMK	Chairman of the Board of Directors
2014 – present	World Steel Association	Board member
2014 – 2019	JSC Sinara Group	Chairman of the Board of Directors
2014 – present	JSC Sinara Group	President
2014 – present	National Council on Corporate Governance	Member of the Partnership
2014 – present	Russian Steel Association	Member of the Supervisory Board

Andrey Kaplunov

Executive Director, has been a member of the Board of Directors since 2005



Mr Kaplunov was born in 1960.

He graduated from Moscow Finance Institute in 1982 and later completed a postgraduate degree programme there. He holds a Ph.D. in Economics. He has been commended in the Letters of Acknowledgement from the Ministry of Industry and Trade of the Russian Federation. Mr Kaplunov joined PAO TMK in 2001.

Principal employment: Vice President of PAO TMK.

Holding in PAO TMK: 0.0067%.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	JSC Sinara Group	Vice President
2019 – present	PAO TMK	Vice President
2015 – present	JSC Orsky Machine Building Plant	Chairman of the Board of Directors
2014 – present	Sinara Yekaterinburg futsal club (Sverdlovsk Regional Sports Non-Governmental Fund)	Member of the Board of Trustees
2014 – present	JSC Interregional private BIG Pension Fund	Member of the Board of Directors
2014 – 2019	PAO TMK	Member of the Management Board, First Deputy CEO
2014 – present	PAO TMK	Member of the Board of Directors
2014 – present	JSC Trade House TMK	Chairman of the Board of Directors
2014 – present	PJSC Seversky Pipe Plant	Chairman of the Board of Directors
2014 – present	JSC Volzhsky Pipe Plant	Chairman of the Board of Directors
2014 – present	PJSC Taganrog Metallurgical Works	Chairman of the Board of Directors
2014 – present	PJSC Sinarsky Pipe Plant	Chairman of the Board of Directors
2014 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Member of the Board of Directors
2014 – present	JSC Sinara Group	Member of the Board of Directors

Sergey Kravchenko

Independent Director, Chairman of the Nomination and Remuneration Committee, member of the Strategy Committee, member of the Board of Directors since 2016



Mr Kravchenko was born in 1960.

He graduated from Moscow Auto-Mechanical Institute in 1982. He is a Doctor of Technical Sciences, Professor, and has been awarded the Order of Friendship.

Principal employment:

President of Boeing Russia/CIS.

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2018 – present	PAO TMK	Chairman of the Nomination and Remuneration Committee
2016 – present	PAO TMK	Member of the Board of Directors, member of the Strategy Committee
2014 – present	The Boeing Company	President of Boeing Russia/CIS, Vice President of Boeing International

Yaroslav Kuzminov

Independent Director, member of the Nomination and Remuneration Committee, member of the Board of Directors since 2018



Mr Kuzminov was born in 1957.

He graduated from Lomonosov Moscow State University in 1979. He holds a PhD in Economics and is an Associate Professor. Mr. Kuzminov has been awarded a third class Order for Merit to the Fatherland, a fourth class Order for Merit to the Fatherland, and the Order of Honor.

Principal employment: National Research University Higher School of Economics.

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2018 – present	PAO TMK	Member of the Board of Directors, member of the Nomination and Remuneration Committee
2018 – present	Russian Union of Industrialists and Entrepreneurs	Member of the Expert Council for Strategic Documents
2018 – present	I'm Professional, association of student competition organizers	Deputy Head of Association
2018 – present	All-Russia People's Front	Member of the Central Office
2017 – present	National Agency for Qualification Development	Member of the Supervisory Board
2017 – 2019	JSC Prosveshcheniye Publishers	Member of the Board of Directors
2017 – present	Association of Global Universities	Chairman of the Board
2016 – present	City for People, endowment fund for social projects	Chairman of the Board of Trustees
2015 – present	All-Russia People's Front	Co-Chairman of the Moscow Regional Office
2015 – present	Association of federal universities, national research universities, Lomonosov Moscow State University and Saint Petersburg State University (Association of Leading Universities)	Member of the Association
2015 – present	Diocese of Moscow of the Russian Orthodox Church	Member of the Diocese's Council for Theological Education
2015 – present	Pokrovsky Kvartal School	Chairman of the Managing Board
2014 – present	Center for Expert Assessment of the Issues of the World Trade Organization	Member of the Supervisory Board
2014 – present	Association of the Leading Universities in Economics and Management	Chairman of the Board

CONTINUATION →

← BEGINNING

2014 – present	Boris Yeltsin Presidential Library	Member of the Academic Council
2014 – present	National Research University Higher School of Economics	Rector
2014 – present	Center for Strategic Research	Board member
2014 – present	Russian Union of Rectors	Member of the Union
2014 – present	The Union of Machine Engineers of Russia (All-Russia Industry Association of Employers)	Member of the Management Board
2014 – present	Russian International Affairs Council	Member of the Partnership
2014 – present	National Accreditation Council of Business and Management Education	Member of the Rector Supervisory Board under the Presidium
2014 – present	Ural Federal University named after the first President of Russia B.N. Yeltsin	Member of the Supervisory Board
2014 – present	Margarita Rudomino All-Russia State Library for Foreign Literature	Member of the International Board of Trustees
2014 – present	Association of Higher Educational Institutions of Moscow	Member of the Presidium of the Council of Rectors of Moscow and the Moscow Region
2014 – present	Council on Foreign and Defense Policy	Member of the Union
2014 – present	Independent University of Moscow (Department of Mathematics)	Member of the Board of Trustees
2014 – 2015	Institute of Urban Humanitarian Development	Member of the Supervisory Board
2014 – present	New Economic Association	Member of the Management Board, member of the Expert Council

Frank-Detlef Wende

Independent Director, member of the Audit Committee, member of the Board of Directors since 2019



Mr Wende was born in 1952.

He graduated from Moscow Automobile and Road Construction State Technical University in 1975 and holds a PhD in Technical Sciences, Professor.

Principal employment: Head of the Chair of Logistics at Moscow Automobile and Road Construction State Technical University.

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	PAO TMK	Member of the Board of Directors, member of the Audit Committee
2019 – present	Financial University under the Government of the Russian Federation	Dean of the Faculty of Logistics, member of the Academic Council
2014 – present	Moscow Automobile and Road Construction State Technical University	Head of the Chair of Logistics, member of the Academic Council, member of the Scientific and Technical Council

Alexander Pumpyanskiy

Non-Executive Director, member of the Audit Committee and the Strategy Committee. Member of the Board of Directors since 2017



Mr Pumpyanskiy was born in 1987.

He graduated from the University of Geneva with a degree in Business Management in 2008, and obtained a Master's degree in Economics at the University of Geneva in 2015.

Principal employment: President of SKB-BANK.

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	Joint Stock Commercial Bank of Support to Commerce and Business	President
2019 – present	JSC Sinara Group	Chairman of the Board of Directors
2018 – 2019	OFSI Holding LLC	Member of the Board of Directors
2018 – present	Domus Flavia Investments AG	Administrator
2018 – present	IPSCO Tubulars Inc.	Member of the Board of Directors
2018 – present	Sinara Capital Management SA	Managing Director
2018 – present	PAO TMK	Member of the Board of Directors, member of the Audit Committee, member of the Strategy Committee
2017 – 2018	PAO TMK	Member of the Board of Directors, member of the Audit Committee, member of the Nomination and Remuneration Committee
2017 – present	Association of Banks of Russia	Board member
2017 – 2019	OFS International LLC	Member of the Board of Directors
2017 – 2019	Oak Town Real Estate SA	Chairman of the Board of Directors, Administrator

CONTINUATION →

← BEGINNING

2016 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Chairman of the Board of Directors
2016 – present	TMK Steel Holding Limited	Member of the Board of Directors
2016 – present	Lera Capital SA	Managing Director, Investment Portfolio Manager
2014 – 2016	Joint Stock Commercial Bank of Support to Commerce and Business	Deputy Chairman of the Board of Directors
2014 – present	JSC Sinara Group	Member of the Board of Directors
2014 – present	Segilo AG	Member of the Board of Directors
2014 – 2016	Sinara Capital Management	Investment Analyst
2014 – 2014	Joint Stock Commercial Bank of Support to Commerce and Business	Member of the Board of Directors

Natalia Chervonenko

Independent Director, Chairwoman of the Audit Committee, member of the Board of Directors since 2019



Ms Chervonenko was born in 1966.

She graduated from the Far Eastern Institute of Consumer Services in 1988. She holds a PhD in Economics and was awarded a second class Medal of the Order for Merit to the Fatherland in 2012.

Principal employment: member of the Board of Directors, Chairwoman of the Audit Committee of PAO TMK.

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	PAO TMK	Member of the Board of Directors, Chairwoman of the Audit Committee
2016 – 2016	JSC Gazprombank	First Vice President
2014 – 2016	JSC Gazprombank	Deputy Chairwoman of the Board of Directors
2014 – 2016	CJSC Areximbank – Gazprombank Group	Member of the Board of Directors
2014 – 2015	LLC GPB-Factoring	Chairwoman of the Board of Directors
2014 – 2016	CJSC REP Holding	Member of the Board of Directors
2014 – 2015	CJSC REP Holding	Deputy Chairwoman of the Board of Directors
2014 – 2016	JSC Credit Ural Bank	Deputy Chairwoman of the Board of Directors
2014 – 2016	JSC Gazprombank Leasing	Member of the Board of Directors
2014 – 2015	OJSC Far Eastern Shipbuilding and Ship Repair Center	Member of the Board of Directors

Anatoly Chubais

Non-Executive Director, member of the Strategy Committee, member of the Board of Directors since 2015



Mr Chubais was born in 1955.

He graduated from the Palmiro Togliatti Leningrad Institute of Engineering and Economics in 1977 and the School of Advanced Training of Moscow Power Engineering Institute in 2002. He holds a PhD in Economics.

He was awarded third class and fourth class Orders for Merit to the Fatherland, a Medal for Merit to the Chechen Republic, and a first class Medal for Special Contribution to the Development of Kuznetsk Basin. He has been commended in three Letters of Acknowledgement from the President of Russia (in 1995, 1997, and 1998).

Principal employment: Chairman of the Management Board of LLC RUSNANO Management Company

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	Moscow Innovation Cluster Fund	Member of the Supervisory Board
2018 – present	Association of Innovative Regions of Russia	Member of the Supervisory Board
2018 – present	Russia Renewable Energy Development Association	President
2018 – present	Russian-American Council for Business Cooperation	Member of the Board of Trustees
2015 – present	PAO TMK	Member of the Board of Directors, member of the Strategy Committee
2015 – present	Innovation and R&D Directors Club	Member of the Supervisory Board
2015 – present	National Association of Manufacturers of Building Materials, Products and Structures	Co-Chairman of the Supervisory Board
2014 – present	LLC RUSNANO Management Company	Member of the Board of Directors
2014 – present	LLC RUSNANO Management Company	Chairman of the Management Board
2014 – present	Hospice Charity Fund Vera	Member of the Board of Trustees
2014 – present	Tri Alpha Energy, Inc.	Member of the Board of Directors
2014 – present	Far Eastern Federal University	Member of the Supervisory Board
2014 – present	Saint Petersburg State University	Member of the International Board of Trustees at the Graduate School of Management
2014 – present	Southern Federal University	Member of the Board of Trustees
2014 – present	Advanced Research Foundation	Member of the Board of Trustees

CONTINUATION →

← BEGINNING

2014 – present	Russian Nanoindustry Association	Member of the Board of Trustees
2014 – present	Stupeni Charitable Foundation	Founder
2014 – present	RUSNANO School League	Chairman of the Board of Trustees
2014 – 2015	Council on Foreign Relations	Member of the Global Board of Advisers
2014 – present	LLC RusnanoMedInvest	Member of the Board of Directors, Chairman of the Board of Directors
2014–2018	Presidential Council for Economic Modernization and Innovative Development of the Russian Federation	Member of the Council
2014 – present	LLC NovaMedica	Member of the Board of Directors, Chairman of the Board of Directors
2014 – present	PJSC Moscow Exchange	Chairman of the Innovation and Investment Market Coordination Board
2014 – present	Polytechnic Museum	Deputy Chairman of the Board of Trustees
2014 – present	E-Learning for Nanoindustry (eNano)	Member of the Supervisory Board
2014 – present	Non-Profit Partnership National Council on Corporate Governance	Member of the Partnership
2014 – 2015	Stichting Joule Global Foundation	Member of the Board of Directors
2014 – 2015	Joule Global Holdings B.V.	Member of the Board of Directors
2014 – present	JSC RUSNANO	Member of the Board of Directors
2014 – 2014	OJSC RUSNANO	Chairman of the Management Board, member of the Management Board

CONTINUATION →

← BEGINNING

2014 – 2017	JSC Sarov Technopark	Member of the Board of Directors
2014 – present	Moscow Institute of Physics and Technology (National Research University)	Head of the Department of Technological Entrepreneurship
2014 – present	Foundation for Development of the Center for Elaboration and Commercialization of New Technologies	Board member
2014 – present	Yegor Gaidar Foundation	Chairman of the Board of Trustees
2014 – present	Fund for Infrastructure and Educational Programmes	Member of the Supervisory Board, Chairman of the Management Board, member of the Management Board
2014 – 2015	RUSNANO Capital AG	Chairman of the Board of Directors
2014 – present	Boris Yeltsin Presidential Center Foundation	Member of the Board of Trustees
2014 – present	Moscow Theatre School of Modern Drama	Chairman of the Board of Trustees
2014 – present	Russian Union of Industrialists and Entrepreneurs (Non-governmental organization)	Member of the Management Board, member of the Bureau, Chairman of the Committee on Innovation Policies and Innovative Entrepreneurship
2014 – present	Russian Union of Industrialists and Entrepreneurs (All-Russian association of employers)	Member of the Management Board, member of the Bureau, Chairman of the Committee on Innovation Policies and Innovative Entrepreneurship
2014 – present	EU-Russia Industrialists' Round Table	Chairman of the Supervisory Board

Alexander Shiryaev

Executive Director, member of the Strategy Committee, member of the Board of Directors since 2005



Mr Shiryaev was born in 1952.

He graduated from the Sverdlovsk Institute of National Economy in 1991. Mr. Shiryaev was awarded second and third class Badges of Merit to the Sverdlovsk Region, he is an Honored Metallurgist and the winner of the Russian Federation Government Prize for Science and Technology (2018). He joined PAO TMK in 2003.

Principal employment: Vice President of PAO TMK.

Holding in PAO TMK: 0.015%.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	JSC Sinara Group	Vice President
2019 – present	PAO TMK	Vice President
2017 – present	PAO TMK	Member of the Strategy Committee
2016 – present	D.O.O. VIZAVI	CEO
2014 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2014 – 2019	PAO TMK	CEO, Chairman of the Management Board
2014 – 2015	JSC Orsky Machine Building Plant	Chairman of the Board of Directors
2014 – present	JSC Trade House TMK	Member of the Board of Directors
2014 – present	PJSC Seversky Pipe Plant	Member of the Board of Directors
2014 – 2015	OAO TMK	Member of the Strategy Committee
2014 – present	PAO TMK	Member of the Board of Directors
2014 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2014 – present	PJSC Taganrog Metallurgical Works	Member of the Board of Directors
2014 – present	PJSC Sinarsky Pipe Plant	Member of the Board of Directors
2014 – present	JSC Sinara Group	Member of the Board of Directors

Alexander Shokhin

Independent Director, Chairman of the Strategy Committee, member of the Board of Directors since 2008



Mr Shokhin was born in 1951.

He graduated from Lomonosov Moscow State University in 1974 and is a Doctor of Economics and a Professor. Mr. Shokhin was awarded third and fourth class Orders for Merit to the Fatherland, an Order of Alexander Nevsky, an Order of Honor, and a number of public and government awards, including a second class Order of Holy Prince Daniel of Moscow and a Medal in Commemoration of the 850th Anniversary of Moscow. In 2008, he won the National Award of the Independent Directors Association in the Independent Director category, and has been ranked among Top 50 Independent Directors since 2012.

Principal employment: President of the Russian Union of Industrialists and Entrepreneurs.

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2016 – 2019	Agency for Technological Development	Member of the Supervisory Board
2016 – present	Chamber of Commerce and Industry of the Russian Federation	Board member
2016 – present	PAO Mechel	Deputy Chairman of the Board of Directors
2015 – present	JSC Russian Small and Medium Business Corporation	Member of the Board of Directors
2014 – 2016	JSC United Transport and Logistics Company	Member of the Board of Directors
2014 – 2018	OOO Merrill Lynch Securities	Advisor
2014 – 2014	OJSC ALROSA	Member of the Board of Directors
2014 – present	PAO TMK	Member of the Board of Directors, Chairman of the Strategy Committee
2014 – present	Eurasia Drilling Company Limited	Member of the Board of Directors
2014 – 2014	JSC Russian Railways	Member of the Board of Directors
2014 – 2014	OJSC Fortum	Member of the Board of Directors
2014 – present	Agency for Strategic Initiatives to Promote New Projects	Member of the Supervisory Board

CONTINUATION →

← BEGINNING

2014 – present	Russian Union of Industrialists and Entrepreneurs (Non-governmental organization)	President, member of the Management Board, member of the Bureau
2014 – present	Russian Union of Industrialists and Entrepreneurs (All-Russian association of employers)	President, member of the Management Board, member of the Bureau
2014 – present	National Research University Higher School of Economics	President, member of the Supervisory Board
2014 – present	Russian-American Council for Business Cooperation	Chairman of the Board of Trustees
2014 – present	Non-Profit Partnership National Council on Corporate Governance	Member of the Partnership, member of the Presidium
2014 – present	German-Russian Chamber of Commerce	Member of the Presidential Council
2014 – present	Russian International Affairs Council	Member of the Board of Trustees

Mikhail Khodorovsky

Non-Executive Director, member of the Nomination and Remuneration Committee, member of the Board of Directors since 2019



Mr Khodorovsky was born in 1952.

He graduated from Chelyabinsk Polytechnic Institute in 1975. He is a Doctor of Economics and a Professor.

Principal employment: CEO of JSC Sinara Group.

Holds no shares in PAO TMK.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	PAO TMK	Member of the Board of Directors, member of the Nomination and Remuneration Committee
2018 – 2019	PAO TMK	Chairman of the Revision Committee
2016 – present	Joint Stock Commercial Bank of Support to Commerce and Business	Member of the Board of Directors
2016 – 2018	LLC Sinara – Development	Member of the Board of Directors
2014 – 2016	JSC Kaluga Plant of Track Vehicles and Hydraulic Transmissions	Member of the Board of Directors
2014 – 2015	JSC Kaluga Plant of Track Vehicles and Hydraulic Transmissions	Chairman of the Board of Directors
2014 – 2017	Association of Regional Banks of Russia	Council member
2014 – 2016	Joint Stock Commercial Bank of Support to Commerce and Business	Chairman of the Board of Directors
2014 – present	JSC Sinara Group	Member of the Board of Directors
2014 – present	JSC Sinara – Transport Machines	Member of the Board of Directors

CONTINUATION →

← BEGINNING

2014 – present	Joint-Stock Commercial Bank of Support to Commerce and Business (part-time)	Chairman of the Strategy Committee
2014 – present	JSC Sinara Group	CEO
2014 – 2018	JSC Sinara – Development	Member of the Board of Directors
2014 – present	Ural Federal University named after the first President of Russia B.N. Yeltsin	Head of the Department of Bank and Investment Management
2014 – present	Sverdlovsk Region Governor’s Programmes Fund	Board member
2014 – 2018	PJSC Kamenskoe	Chairman of the Board of Directors
2014 – present	Football Club Ural Yekaterinburg	Member of the Board of Directors
2014 – 2017	JSC Arkhyz – Sinara	Chairman of the Board of Directors
2014 – 2014	Association of Regional Banks of Russia	Deputy Chairman of the Council
2014 – 2018	LLC Arkhyz-1650	Chairman of the Board of Directors
2014 – 2015	LLC TMK CHERMET	Chairman of the Board of Directors

AS AT DECEMBER 31, 2019, THE MEMBERS OF THE BOARD OF DIRECTORS HELD NO INTEREST IN CONTROLLED ENTITIES. IN 2019, THE MEMBERS OF THE BOARD OF DIRECTORS DID NOT ENTER INTO ANY TRANSACTIONS TO ACQUIRE, OR DISPOSE OF, PAO TMK SHARES.

**Maxim
Kurbatov**

*Secretary of the Board of Directors
(Corporate Secretary)*



Mr Kurbatov was born in 1967.

He graduated from Kirov Ural Polytechnic Institute, the Academy of National Economy under the Government of the Russian Federation, and Moscow State Law Academy.

He joined PAO TMK in 2002 and headed the CEO's Executive Office and the Corporate Governance Service. He has been the Secretary of the Board of Directors since 2005.

PERFORMANCE OF THE BOARD OF DIRECTORS IN 2019

The Board of Directors organizes its activities addressing the Company's strategic objectives based on the annual plan of Board meetings. Agendas of the meetings are disclosed in advance to all stakeholders as corporate action notices.

At least once a year, the Board of Directors discusses the following matters at one or several meetings:

- Performance of the Board of Directors
- Cooperation and coordination between the Board of Directors and the Company's executive bodies
- Performance assessment of governing bodies and their members
- Policy on remuneration and compensation for the CEO and key employees
- Strategic directions of the Company's economic activities, and associated risks
- Corporate governance and internal control performance featured in reports by executive management
- Recommendations on the auditor's report and fee

In 2019, the Board
of Directors held

22

meetings including
7 meetings in person

BOARD OF DIRECTORS' REPORT ON THE PROGRESS IN PRIORITY BUSINESS AREAS AT TMK

Strategic objective	Matters discussed at the meetings of the Board of Directors in 2019	
Efficient governance	<p>Approval of TMK Group's target structure for 2020</p> <p>Election of the Chairman and Secretary of the Board of Directors, and members of the Board of Directors' Committees; approval of PAO TMK's governing bodies</p> <p>Implementation of the Board of Directors' resolutions</p> <p>Performance of the Company's American division in 2018</p> <p>Results of the performance assessment of the Board of Directors and its Committees in the 2018–2019 corporate year</p>	<p>Approval of the Company's auditor</p> <p>Approval of the annual schedule of the Board of Directors' activities</p> <p>Performance of the Internal Audit Service in 2019</p> <p>Performance of the Board Committees</p> <p>Establishment of OOO Sinatom jointly with AO Sinara Group</p>
Enhancing the sales platform and leveraging TMK's global scale	<p>Launching PAO TMK's standalone unit in Yuzhno-Sakhalinsk</p>	<p>Establishment of a subsidiary in the State of Delaware (USA)</p>
Focus on innovation and digitalization	<p>Establishing PAO TMK's executive bodies taking into account top management's expertise required to address innovation development and digital transformation tasks</p>	
Strengthening financial performance and investment appeal	<p>Approval of the consolidated budget for 2020</p> <p>Implementation of the Buyback Programme for 2018–2019 to repurchase PAO TMK shares and GDRs</p> <p>Recommendations to the Extraordinary General Meeting of Shareholders on the dividend for 1Q 2019</p>	<p>Approval of management reports and consolidated financial statements</p> <p>Resolution on the disposal of ordinary shares in IPSCO Tubulars Inc.</p>
Development of incentive systems aimed at aligning the interests of shareholders, management and employees	<p>Remuneration of the Company's managers for 2018, key performance indicators and remuneration arrangements for 2019</p>	
Sustainable development and corporate social responsibility	<p>Approval of TMK Group's Code of Ethics</p> <p>HSE situation at TMK Group's facilities</p>	<p>Development of TMK2U Corporate University</p> <p>Approval of the Policy on Social Investment, Charitable and Sponsorship Activities of PAO TMK</p>

DIRECTORS' ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND RELEVANT BOARD COMMITTEES* IN 2019

	Board of Directors	Audit Committee	Nomination and Remuneration Committee	Strategy Committee
	22 meetings	9 meetings	6 meetings	5 meetings
Frank-Detlef Wende	11 (12)*	4 (4)	–	–
Andrey Kaplunov	22	–	–	–
Sergey Kravchenko	22	–	6	5
Yaroslav Kuzminov	21	–	6	–
Peter O'Brien	10 (10)*	5 (5)	–	–
Sergey Papin	10 (10)*	–	2 (3)	–
Alexander Pumpyanskiy	21	7	–	4
Dmitry Pumpyanskiy (Chairman)	22	–	–	–
Robert Mark Foresman	10 (10)*	4 (5)	–	–
Mikhail Khodorovsky	12 (12)*	–	3 (3)	–
Natalia Chervonenko	12 (12)*	4 (4)	–	–
Anatoly Chubais	20	–	–	–
Alexander Shiryaev	22	–	–	4
Alexander Shokhin	20	–	–	5

* Bracketed figures denote the number of meetings held during the period when a Director served on the Board of Directors and on the relevant Board Committee. Submission of a written opinion stating the position in voting on agenda items was counted as attendance at the meeting.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three standing committees: the Audit Committee, the Nomination and Remuneration Committee and the Strategy Committee. The current Committees were formed by the Board of Directors on 21 June 2019, in compliance with the Code and exchange listing rules, and in line with the Company's implementation of inclusive practices whereby Committees include non-executive directors who have extensive and diverse professional experience as well as the knowledge of TMK's business profile.

The composition of the Audit Committee was changed considerably, and Natalia Chervonenko was elected as its new Chairwoman. A new non-executive director, Mikhail Khodorovsky, was elected to the Nomination and Remuneration Committee.

Changes in the composition of the Committees in 2019

Committee members newly elected on June 21, 2019	Committee composition as at December 31, 2019	Stepped down on June 21, 2019
Audit Committee		
Frank-Detlef Wende Natalia Chervonenko	Natalia Chervonenko, Chair, Independent Director Frank-Detlef Wende, Independent Director Alexander Pumpyanskiy, Non-Executive Director	Peter O'Brien Robert Mark Foresman
Nomination and Remuneration Committee		
Mikhail Khodorovsky	Sergey Kravchenko, Chair, Independent Director Yaroslav Kuzminov, Independent Director Mikhail Khodorovsky, Non-Executive Director	Sergey Papin
Strategy Committee		
	Alexander Shokhin, Chair, Independent Director Sergey Kravchenko, Independent Director Alexander Pumpyanskiy, Non-Executive Director Anatoly Chubais, Non-Executive Director Alexander Shiryayev, Non-Executive Director	

AUDIT COMMITTEE

Natalia Chervonenko

Chairwoman of the Audit Committee



"In 2019, the Audit Committee reviewed the accuracy, completeness and reliability of financial statements, supervised internal and external audits, and focused on risk management and internal auditing.

In 2020, the Audit Committee will continue adopting risk-based control practices to offer enhanced assistance to PAO TMK's Board of Directors."

This report details the performance of the Audit Committee (the Committee) in 2019 and between January 01, 2020 and March 31, 2020.

Purpose:

to offer a preview of matters related to controlling PAO TMK's financial and business activities and efficacy of the internal control and risk management system, as well as making recommendations to the Board of Directors.

Governing regulations:

Regulations on the Committee (https://www.tmk-group.ru/media_ru/files/51/pol_kom_aud2015.pdf)

Competencies:

each Committee member has the knowledge and experience required to perform their duties.

All Committee members comply with the recommendations of the Russian Corporate Governance Code for the reporting review and assessment competencies.

Meetings:

The Audit Committee held nine meetings in 2019 and three meetings between January 01, 2020 and March 31, 2020. Members of the Committee also had several meetings with the head of the

Internal Audit Service and the leader of the external audit team, without the executives present.

In the reporting period, the Committee reviewed and presented to the Board of Directors recommendations on the following key matters:

- Accounting policy analysis and review of PAO TMK's accounting (financial) statements for completeness, accuracy, and reliability
- Policy on selecting an external auditor. Holding a tender to select an external auditor in 2020
- Review of plans and reports of the Internal Audit Department
- Cooperation with the Revision Committee
- Review of the external audit plan and scope, information sharing with the auditor
- Performance assessment of TMK's risk management and internal control systems, and the internal audit function

Opinions of the Committee:

- The Committee heard reports of the heads of the Revision Committee, Internal Audit Service, Risk Management Committee, and the CEO's Committee on Regulating Compliance Risks. The Audit Committee gave a positive assessment of the current risk management and internal control system
- The Committee reviewed a number of matters related to the preparation and audit of PAO TMK's 2019 full-year and interim separate and

consolidated 2019 accounting (financial) statements. Based on the results of its oversight of the external audit exercise, the Audit Committee concluded that the audit had been carried out to professional standards

- The Committee reviewed PAO TMK's IFRS consolidated financial statements for 2019
- The Audit Committee reviewed and recommended that the Board of Directors approve PAO TMK's RAS accounting (financial) statements for 2019



Assessment

The Committee's performance was assessed by an external advisor as part of independent assessment of the Board of Directors' performance. The advisor noted that the Committee's objectives, set out in the Regulations on the Committee, comply with best practices in corporate governance. The advisor recommended an increase in the Committee membership to reflect the number, diversity and complexity of its tasks. New Committee members should have expertise in risk management and internal control, as well as in corporate governance.

NOMINATION AND REMUNERATION COMMITTEE

Sergey Kravchenko

Chairman of the Nomination and Remuneration Committee



"In the reporting period, we supplemented the Committee's regular agenda with matters related to mentorship, search for new incentive schemes, and development of the Corporate University which is in effect becoming a key tool for shaping a team of managers capable of applying advanced best practices in governance and a pool of the Company employees who are fluent in modern digital technologies. We have also drawn a number of conclusions regarding the Committee's performance based on self-assessment."

Purpose:

improved effectiveness of the Board of Directors' decisions which will help attract the best talent to management positions across the Company and offer appropriate incentives to support their performance.

Governing regulations:

Regulations on the Committee (https://www.tmk-group.ru/media_ru/files/51/2016_09_15_Polozhenie_o_Komitete_po_naznacheniya_i_voznagrazhdeniyam_SD_PAO_TMK.pdf)

Meetings:

the Committee held six meetings in the reporting period.

Committee's key priorities in 2019:

- Management appointments and succession planning
- Implementation of corporate governance best practices
- Personnel engagement assessment
- HR support of the Company's digital transformation
- Advancement and development of TMK2U Corporate University
- Introduction of new incentive schemes and programmes

In the reporting year, the Committee reviewed the following key matters and presented relevant recommendations to the Board of Directors:

- Organizational and staff changes at TMK, monitoring of the current staffing situation at the divisions' plants
- Implementation of the HR Strategy approved by the Board of Directors

- Relevant HR events and projects
- Development of TMK2U Corporate University. Projects and events of TMK2U Corporate University (TMK2U CU) including: Line of Horizons corporate mobile app, SOTA platform, vocational skills competition, implementation of a unified remuneration system at the Company's plants in Kazakhstan, organization of activities of TMK's R&D facility in Skolkovo, master's programme, cooperation between TMK2U CU and higher education institutions (including HSE), etc.

- Preparing and holding the Horizons International Corporate Youth Forum 2019
- Key headcount and payroll indicators for TMK's budget
- Best practices in mentorship
- Independent assessment of TMK's Board of Directors

- Incentive model for TMK's top management. Remuneration of the Company's managers for 2018, key performance indicators and remuneration arrangements for 2019
- Establishing governing bodies at PAO TMK and TMK Group's plants
- Planning, and reporting on, the Committee's activities
- Planned changes in the governance structure and appointments to key positions

Meetings with top managers

Newly appointed top managers were invited to the Committee meetings to discuss their professional development, career planning, responsibility areas, objectives, key risks associated with the business line which the manager heads, the specifics of relations with diverse personnel categories, corporate culture development, etc. The Committee's resolutions noted that the meetings had been useful and positive, and underlined the need to continue engaging managers from the existing and potential talent pools in the meetings of the Nomination and Remuneration Committee

COMMITTEE'S SELF-ASSESSMENT RESULTS



Guided by the principles of succession and expediency, the Committee helped attract the best talent to management positions across the Company, retain them and offer appropriate incentives to support their performance



The Committee has the optimal number of members and is well-balanced in terms of professional experience and expertise of its members in the areas critical to its roles



The Committee members were actively involved in its activities and attended meetings on a regular basis. Participation of other members of the Board of Directors in individual meetings of the Committee drove engagement when discussing agenda items and did not lead to a conflict of interest



The matters reviewed by the Committee were in line with its objectives and profile, activities plan, and instructions from the Board of the Directors



The Committee's recommendations aided the Board of Directors in making well-balanced decisions supported by efficient implementation and control tools

The Committee did not commission services from third-party organizations during 2019. No costs associated with such services or with technical support for the Committee's activities were incurred.

STRATEGY COMMITTEE

Alexander Shokhin

Chairman of the Strategy Committee



“A number of issues we faced last year required decisions that considerably altered the Company’s development paradigm. These included the decisions on TMK’s assets in the United States, digital transformation, and R&D development areas. In my opinion, professional and business competencies of the Committee members, along with their vast experience and active engagement, enabled the Committee to develop well-balanced and timely recommendations to the Board of Directors.”

Purpose:

development and presentation of recommendations to the Board of Directors to determine the Company’s business priorities and development strategy.

Meetings:

the Committee held five meetings in 2019, where recommendations to the Board of Directors on the following matters were discussed and developed:

- TMK Group’s management reports
- Environmental performance at TMK Group’s facilities
- TMK’s annual report
- TMK Group’s target structure for 2020
- New regulatory initiatives concerning business operations

Governing regulations:

Regulations on the Committee (https://www.tmk-group.ru/media_ru/files/51/tmk_kom_str_raz2016.pdf)

- Updates to TMK Group’s Strategy
- Review of transformation programmes
- Key indicators for estimating TMK Group’s 2020 budget
- Development of the R&D facility in Skolkovo
- TMK Group’s consolidated budget for 2020
- Development of TMK2U Corporate University



Assessment

Given the Company’s scale, the establishment and operation of the Strategy Committee is of significant importance. The Strategy Committee is composed exclusively of directors. The Committee’s directors have competencies in strategic management, expertise in information and innovative technologies, as well as international business experience. In the Advisor’s opinion, the Board of Directors’ performance could be improved if the Committee included directors with core competencies, including management representatives responsible for achieving strategic goals.

EXTERNAL ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE IN 2019

Members of the Board of Directors rated the performance of the Board and its Committees at

4,7

(on a scale from 1 to 5)

Assessment purpose –

to identify areas for improving the performance of the Board of Directors.

Independent external assessor:

JSC R.O.S.T. Registrar

Assessment method:

survey of the members and Chairman of the Board of Directors, and benchmarking of individual aspects of the Board's performance versus peer companies.

EXTERNAL ASSESSMENT RESULTS IN 2019

Assessment scope/area	Assessor's opinion
Composition of the Board of Directors	<p><u>Independent directors account for 45%</u> of members of the Board of Directors, in full compliance with the principles of the Russian Corporate Governance Code.</p> <ul style="list-style-type: none"> <u>Sufficiency of directors' competencies</u> (which can be traced back from 2015 to 2018) and a <u>strong succession pipeline</u> in the Board ensure directors' high levels of awareness and engagement in corporate governance. At the same time, it is advisable to pay attention to improving directors' skills in digital transformation and cyber security The fact that independent Board members and the Board Chairman repeatedly won the Director of the Year National Award shows that the Company complies with <u>advanced standards for the operation of boards of directors and for corporate governance</u>
Performance of the Board of Directors and its Committees	<ul style="list-style-type: none"> The directors have proved efficient in key matters such as <u>planning and monitoring the performance of the Company</u>, including its divisions, as well as <u>corporate governance</u> remits such as investor and shareholder communication, and <u>personnel development</u>. <u>Implementation of the Board's resolutions</u> as well as the work of the Board Committees are <u>monitored on a regular basis</u> Directors were virtually unanimous in their high assessment of the Board Committees' work
The Board of Directors' procedures	<ul style="list-style-type: none"> The Board of Directors' planning of its meetings and the duties of the Corporate Secretary are properly performed
Performance of independent directors	<ul style="list-style-type: none"> Independent directors demonstrate <u>engagement and commitment</u>
Performance of the Chairman of the Board of Directors	<ul style="list-style-type: none"> Directors highly rated the performance of the Board Chairman, noting, among other things, his efforts supervise the implementation of the Board's resolutions, which confirms that TMK's corporate practices comply with the highest standards in corporate governance, as recommended by the Code

EXECUTIVE BODIES



Igor Korytko,

CEO of PAO TMK since June 22, 2019

“TMK is a dynamic company able to respond to emerging global challenges and address them proactively. We have ambitious plans: TMK is poised to become No. 1 not only by volume, but also by profitability, efficacy and efficiency. The Company has everything required to achieve these goals. First of all, we are a team of professionals committed to what we do and capable of tackling new challenges; we have a strong production asset base and R&D potential, IT solutions and we boast a network of strategic clients and partners. We are focusing on complex products in new exciting markets and we have a clear understanding of where growth lies: improving the Company’s governance framework, reinventing the sales strategy, giving a bigger role to marketing and IT, developing a new R&D strategy, and launching a quick-win investment programme. We need to be agile, focused and professional, and start cutting red tape. These efforts will result in a digitally-enabled EBITDA growth.”

PAO TMK’s day-to-day operations are managed by the CEO and the Management Board. The CEO also acts as the Chairman of the Management Board.

Composition of the Management Board

In 2019, PAO TMK’s Management Board was substantially refreshed. On June 21, 2019, the Board of Directors approved the number of the Management Board members at seven, with three new members elected to the Management Board: Igor Korytko, Denis Nesterov and Sergey Chikalov.

August 2018 as Deputy CEO for Performance Management and was responsible for digital business transformation. Prior to joining TMK, he held senior management positions in major Russian and international companies.

Sergey Chikalov also joined TMK in 2018 as Deputy CEO for Technological Development and Technical Sales.

Igor Korytko was elected to the position of CEO, approved by the Chairman of the Management Board. Decisions made by the Board of Directors were driven by the new challenges faced by the Company on its digital transformation journey. A winner of the first Leaders of Russia competition (2017–2018), Igor Korytko joined TMK in

In 2019, Denis Nesterov became Deputy CEO for Organizational Development – Director of HR and Social Policy.

Alexander Shiryaev, who had led TMK for five years, and members of the Management Board Andrey Kaplunov and Vladimir Shmatovich, continued to work at PAO TMK.

CHANGES IN THE COMPOSITION OF PAO TMK’S MANAGEMENT BOARD IN 2019 (RESOLUTIONS OF THE BOARD OF DIRECTORS DATED JUNE 21, 2019)

New members	Tenure on the Management Board (years)		Stepped down
Igor Korytko	Andrey Zimin (3.5)	Vladimir Oborsky (14.5)	Alexander Shiryaev
Denis Nesterov	Tigran Petrosyan (12.5)	Vyacheslav Popkov (2.5)	Andrey Kaplunov
Sergey Chikalov			Vladimir Shmatovich

AS AT DECEMBER 31, 2019, THE MANAGEMENT BOARD COMPRISED THE FOLLOWING MEMBERS:

Igor Korytko	Andrey Zimin	Denis Nesterov	Vladimir Oborsky	Tigran Petrosyan	Vyacheslav Popkov	Sergey Chikalov
Chief Executive Officer of PAO TMK, Chairman of the Management Board	Deputy CEO for Legal Issues of PAO TMK	Deputy CEO for Organizational Development – Director of HR and Social Policy of PAO TMK	CEO of JSC Trade House TMK	Deputy CEO for Economy and Finance of PAO TMK	First Deputy CEO – Chief Engineer (Industrial Engineering) of PAO TMK	Deputy CEO for Technological Development and Technical Sales

Events after the reporting date

Pursuant to resolution of the Board of Directors dated February 11, 2020, a new composition of the Management Board was approved. For the first time, the Management Board was joined by a female member – Elena Pozolotina, who had been working in TMK’s HR function for 15 years and successfully implemented the TMK2U Corporate University, a landmark project for the Company. Denis Nesterov left the Management Board.

Igor Korytko

Chief Executive Officer of PAO TMK,
Chairman of the Management Board



Mr Korytko was born in 1974.

He graduated from Chelyabinsk State Technical University with a degree in Metal Treatment Under Pressure in 1997 and in Economics and Business Administration in 1998. He has been commended in a Letter of Acknowledgement from the Ministry of Industry and Trade of the Russian Federation.

Holding no stake in the issuer's authorized capital/ordinary shares.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	PAO TMK	CEO, Chairman of the Management Board
2018 – 2019	PAO TMK	Deputy CEO for Performance Management
2016 – 2018	LLC Borets Company	Deputy CEO for Efficiency and Capacity Optimization
2015 – 2016	OJSC Izhneftemash	Executive Director
2014 – 2015	LLC Kurgankhimmash	CEO
2014 – 2014	CJSC Petrostal Metallurgical Plant	Director
2014 – 2014	OJSC KirovskyZavod (part-time)	Advisor to the CEO

Andrey Zimin

Deputy CEO for Legal Issues of PAO TMK



Mr Zimin was born in 1980.

He graduated from the Moscow State Institute of International Relations in 2003. He joined TMK in 2004.

Holding in PAO TMK: 0.000072%.

Relevant experience in the last five years

Period	Organization	Position
2018 – present	Completions Development S.à.r.l.	Director
2018 – present	POWERSTREAM HOLDINGS LIMITED	Member of the Board of Directors
2016 – present	PAO TMK	Member of the Management Board
2016 – 2019	OFS Development SARL	Member of the Board of Directors
2015 – present	Completions Research AG	Member of the Board of Directors
2015 – 2016	TMK Bonds SA	Member of the Board of Directors
2014 – present	COURSE MANAGEMENT CORP.	Member of the Board of Directors
2014 – present	TMK Gulf International Pipe Industry LLC	Member of the Board of Directors
2014 – present	TMK Holdings SARL	Member of the Board of Directors
2014 – present	Capitoline Holdings Limited	Member of the Board of Directors
2014 – present	PAO TMK	Deputy CEO for Legal Issues
2014 – 2014	TMK Africa Tubulars	Member of the Board of Directors
2014 – present	PJSC Sinarsky Pipe Plant	Member of the Board of Directors

CONTINUATION →

← BEGINNING

2014 – present	JSC Trade House TMK	Member of the Board of Directors
2014 – present	PJSC Seversky Pipe Plant	Member of the Board of Directors
2014 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2014 – present	PJSC Taganrog Metallurgical Works	Member of the Board of Directors
2014 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2014 – present	JSC TMK-CPW	Member of the Board of Directors
2014 – present	SC TMK-ARTROM SA	Member of the Board of Directors
2014 – present	SC TMK-RESITA SA	Member of the Board of Directors
2014 – present	TMK Global AG	Member of the Board of Directors
2014 – present	TMK Middle East	Chairman of the Board of Directors
2014 – 2014	TMK North America Inc.	Member of the Board of Directors
2014 – present	Rockarrow Investments Limited	Member of the Board of Directors
2014 – present	IPSCO Tubulars Inc.	Member of the Board of Directors
2014 – 2014	JSC Volgograd River Port	Member of the Board of Directors

Denis Nesterov

Deputy CEO for Organizational Development – Director of HR and Social Policy (until December 20, 2019)



Mr Nesterov was born in 1975.

He graduated from the Ural Branch of Russian Presidential Academy of Public Administration in 2000.

Holding in PAO TMK: 0.000005%.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	PAO TMK	Member of the Management Board
2019 – 2019	PAO TMK	Deputy CEO for Organizational Development – Director of HR and Social Policy
2014 – 2019	PJSC Sinarsky Pipe Plant	Director for Human Resources
2014 – 2014	CJSC Trade House TMK (office in Kamensk-Uralsky)	Deputy Director for Commerce
2014 – 2014	CJSC Trade House TMK (office in Kamensk-Uralsky)	Deputy Head of Information and Analytics

Vladimir Oborsky

CEO of JSC Trade House TMK



Mr Oborsky was born in 1961.

He graduated from Frunze Higher Combined-Arms Command School of Kyiv in 1982 and Frunze Military Academy in 1994 and obtained an MBA from Moscow International University in 2009. He holds a PhD in Economics. He was awarded a Medal for Battle Merit and an Order of Military Merit, and a Certificate of Merit from the Ministry of Industry and Trade of the Russian Federation. He joined TMK in 2001.

Holding in PAO TMK: 0.00075%.

Relevant experience in the last five years

Period	Organization	Position
2017 – present	Pipe Producers Association	Member of the Coordinating Council
2014 – present	JSC Trade House TMK	CEO
2014 – 2016	JSC Trade House TMK	Member of the Board of Directors
2014 – present	JSC TMK-CPW	Member of the Board of Directors
2015 – present	PAO TMK (part-time)	Executive Director – First Deputy CEO
2014 – 2015	OAO TMK (part-time)	Deputy CEO for Sales
2014 – present	PAO TMK	Member of the Management Board

Tigran Petrosyan

Deputy CEO for Economy and Finance of PAO TMK



Mr Petrosyan was born in 1968.

Mr Petrosyan graduated from Yerevan State University in 1993. He has been awarded a Certificate of Merit from the Ministry of Industry, Science and Technologies of the Russian Federation. He joined TMK in 2001.

Holding in PAO TMK: 0.0016%.

Relevant experience in the last five years

Period	Organization	Position
2014 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2014 – present	JSC Trade House TMK	Member of the Board of Directors
2014 – present	PAO TMK	Deputy CEO for Economy and Finance, member of the Management Board
2014 – present	JSC Trade House TMK (part-time)	Deputy CEO for Economy and Finance
2014 – present	PJSC Seversky Pipe Plant	Member of the Board of Directors
2014 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2014 – present	PJSC Taganrog Metallurgical Works	Member of the Board of Directors
2014 – present	PJSC Sinarsky Pipe Plant	Member of the Board of Directors

Vyacheslav Popkov

First Deputy CEO – Chief Engineer (Industrial Engineering) of PAO TMK



Mr Popkov was born in 1965.

He graduated from Kirov Ural Polytechnic Institute in 1992 and Financial University under the Government of the Russian Federation in 2011. He received an MBA from Ural State Technical University named after the first President of Russia B.N. Yeltsin in 2009. He has been awarded a second class Medal of the Order for Merit to the Fatherland, Certificates of Merit from the Ministry of Industry and Trade of the Russian Federation and the Ministry of Industry and Science of the Sverdlovsk Region, and an Honorary Diploma of the Sverdlovsk Region Government. He is an Honored Metallurgist and Honorary TMK Employee.

Holding in PAO TMK: 0.0015%.

Relevant experience in the last five years

Period	Organization	Position
2018 – present	PAO TMK	First Deputy CEO – Chief Engineer (Industrial Engineering), member of the Management Board
2017 – 2018	PAO TMK	First Deputy CEO (Industrial Engineering), member of the Management Board
2017 – 2017	PAO TMK	Deputy CEO for Operations
2017 – present	PJSC Seversky Pipe Plant	Member of the Board of Directors
2017 – present	PJSC Taganrog Metallurgical Works	Member of the Board of Directors
2017 – present	JSC Volzhsky Pipe Plant	Member of the Board of Directors
2017 – present	JSC Orsky Machine Building Plant	Member of the Board of Directors
2016 – 2017	LLC TMK-INOX	CEO
2014 – present	PJSC Sinarsky Pipe Plant	Member of the Board of Directors
2014 – 2017	PAO TMK	Managing Director of PJSC Sinarsky Pipe Plant

Sergey Chikalov

Deputy CEO for Technological Development and Technical Sales



Mr Chikalov was born in 1963.

He graduated from the Moscow State Institute of Steel And Alloys in 1985.

Holding no stake in the issuer's authorized capital/ordinary shares.

Relevant experience in the last five years

Period	Organization	Position
2019 – present	PAO TMK	Member of the Management Board
2018 – present	PAO TMK	Deputy CEO for Technological Development and Technical Sales
2014 – 2018	PAO TMK	Deputy CEO for Technical Sales and Innovations
2014 – 2014	PAO TMK	Deputy CEO for Technical Sales
2014 – present	JSC Russian Research Institute of the Tube & Pipe Industries (ROSNITI)	Chairman of the Board of Directors

Elena Pozolotina

*Deputy CEO for Human Resources –
Director of TMK2U Corporate University,
Member of the Management Board
since 12 February 2020*



Elena Pozolotina was born in 1983.

She graduated from Ural State Technical University named after the first President of Russia B.N. Yeltsin in 2005. She holds a PhD in Economics and has been commended in Letters of Acknowledgement from the Ministry of General and Vocational Education of the Sverdlovsk Region, Federal Agency on Technical Regulating and Metrology, and TMK. Ms Pozolotina joined TMK in 2005.

Holding no stake in the issuer’s authorized capital/ordinary shares.

Relevant experience in the last five years

Period	Organization	Position
2020 – present	PAO TMK	Member of the Management Board
2020 – present	PAO TMK	Deputy CEO for Human Resources – Director of TMK2U Corporate University
2019 – 2020	PAO TMK	Deputy CEO for Organizational Development – Director of HR and Social Policy
2018 – 2019	PAO TMK	Director of TMK2U Corporate University
2017 – 2018	PAO TMK	Director of HR Development Projects – Head of the TMK2U Corporate University project
2014 – 2017	PAO TMK	Head of the Personnel Coordination Department (Yekaterinburg)

REPORT ON THE REMUNERATION OF THE BOARD OF DIRECTORS IN 2019

REMUNERATION AND REIMBURSEMENT FOR MEMBERS OF THE BOARD OF DIRECTORS

Remuneration system for members of the Board of Directors

Purpose:

to align the system of Board members' remuneration with the shareholders' long-term interests and ensure fair compensation for Board members to reflect their valuable services to the Company and its shareholders.

Governing regulations:

- Russian laws
- Regulations on the Board of Directors
- Policy on Remuneration and Reimbursement for members of the Board of Directors

4 Board and Committee chairs,
Committee members

5 Non-executive
directors

2 Executive
directors



Fixed remuneration

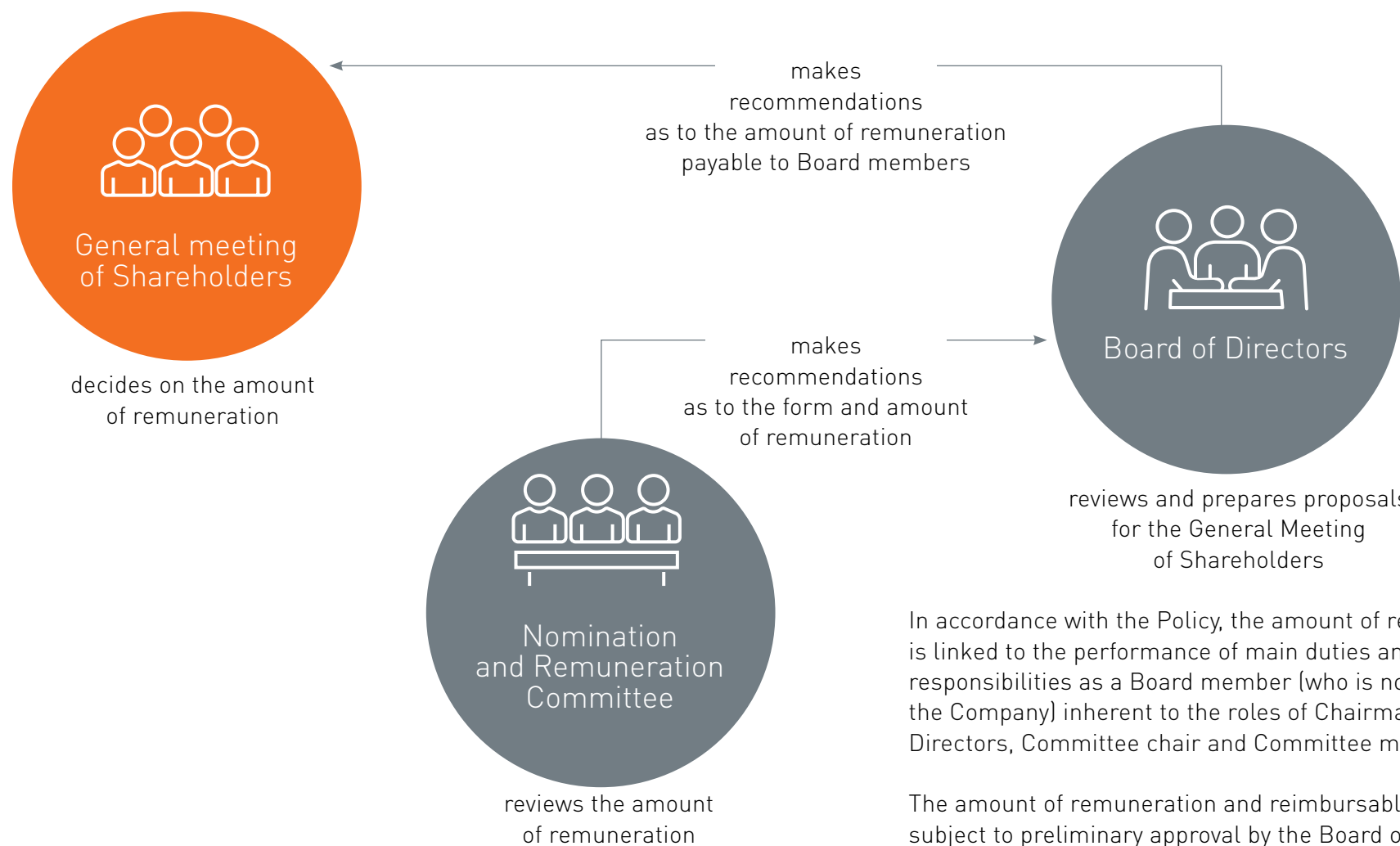


Variable remuneration



Reimbursement of expenses

Procedure for determining the amount of remuneration payable to Board members



In accordance with the Policy, the amount of remuneration is linked to the performance of main duties and additional responsibilities as a Board member (who is not an executive of the Company) inherent to the roles of Chairman of the Board of Directors, Committee chair and Committee member.

The amount of remuneration and reimbursable expenses is subject to preliminary approval by the Board of Directors and is based on recommendations made by the Nomination and Remuneration Committee of the Board of Directors.

Remunerations and reimbursements for members of the Board of Directors of PAO TMK, \$ million

	2017	2018	2019
Remuneration for service on the Board of Directors and its Committees	2.52	2.35	2.28
Reimbursement of expenses	0.22	0.22	0.32
Other remuneration	0	0	0
Total	2.74	2.57	2.60

REMUNERATION OF KEY EXECUTIVES

Purpose:
to incentivize the executives to deliver on objectives and targets with high-quality performance and ensure the Company's financial stability and sustainable growth.

Governing regulations:
Policy on Remuneration of Key Executives of PAO TMK.

Forms of incentives:
Short-term and long-term programmes.

Short-term incentive programme:
Basic remuneration and a set of KPIs are individually determined for each manager included in a short-term incentive programme (their list is updated on an annual basis). Each KPI has a certain weight assigned to it. Based on the full-year results, the weights of KPIs are adjusted subject to the actual performance against such KPIs, measured on the approved scale.

Remuneration is accrued upon review by the Board of Directors of the Company's performance in the past year, i.e. the achievement of targets for metrics such as EBITDA, operating cash flow, product shipments, product sales revenue, etc. Managers' performance can also be assessed on the achievement of individual targets, including performance against expense budgets, project progress and subordinate units' delivery on their targets. All this data may be decomposed by top managers' responsibility areas into divisions, sections, individual assets or business lines.

For key executives, bonus KPIs include business targets approved as part of the Company's plans and budget for the reporting year.

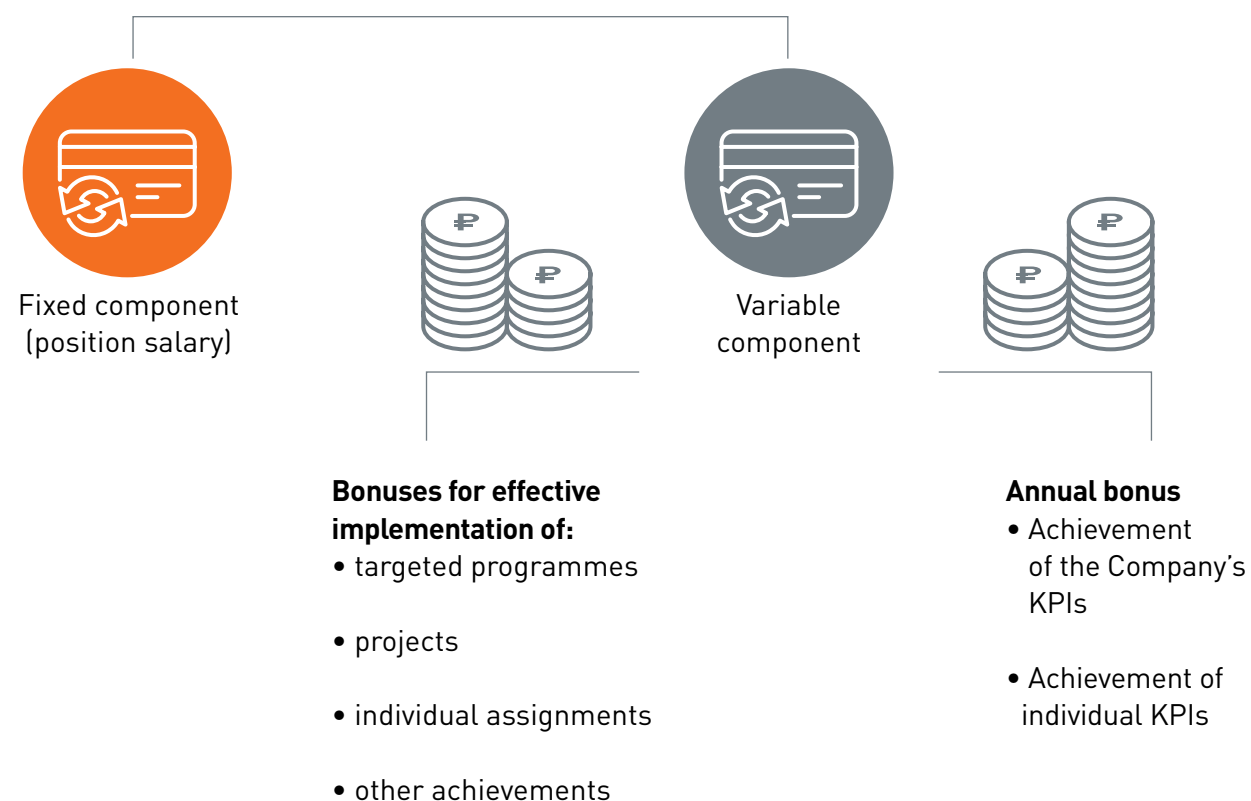
Since 2018, TMK has had a **long-term incentive programme in place**, granting the key executives the right to receive additional remuneration for the achievement of TMK's strategic goals, based on its share price performance against the reference group comprising major international and Russian companies.

The information on the remuneration of managers covered by the Policy is disclosed in accordance with the corporate practices, applicable laws, regulators' requirements, the listing rules of stock exchanges and the recommendations of the Corporate Governance Code.

PAO TMK's Board of Directors meetings and resolutions on remuneration of key executives:

- February 21, 2019 – Remuneration of the Company's managers for 2018, key performance indicators and remuneration arrangements for 2019
- February 20, 2020 – Remuneration of the Company's managers for 2019, key performance indicators and remuneration arrangements for 2020

Remuneration mix for key executives



Remuneration of PAO TMK's CEO and Management Board, \$ million

	2017	2018	2019
Salary	5.58	4,18	2,96
Bonuses	1.79	2,13	2,33
Other remuneration	0	0	0
Total	7.37	6,31	5,29

CONTROL SYSTEM

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT SYSTEMS IN PLACE AT TMK ARE FORMALIZED BASED ON GENERALLY ACCEPTED INTERNATIONAL STANDARDS AND COVER ALL KEY ASSETS, BUSINESS PROCESSES AND MANAGEMENT LEVELS OF THE COMPANY.

Purpose of the systems:

provide the Company's management with an objective view of:

- the Company's current state and prospects in terms of set goals
- risk exposure
- reliability of all types of reporting
- compliance with laws and internal regulations.

The principles of the control system were determined by the Board of Directors

and incorporated into TMK's corporate policies and internal documents (<https://www.tmk-group.com/Documents>).

Control procedures are integrated into the business processes of TMK units and are run on a continuous basis by governing bodies at all levels and by employees in their day-to-day work.

Monitoring of the control system

is done by the Board of Directors, including the Audit Committee.



RISK MANAGEMENT

Purpose of the system:

to identify, assess, manage, and control potential risk events or situations to provide reasonable assurance that the Company's goals and objectives will be achieved.

Governing regulations:

TMK Group's Risk Management Policy approved by the Board of Directors.

Day-to-day risk management

is done by the CEO, via the Risk Management Committee. The Chairman of the Committee regularly reports to the Audit Committee on risk occurrence.

A dedicated unit, whose tasks are fully in line with the Russian Corporate Governance Code, coordinates risk management processes and cooperation between the Company business units.

For details on key risk factors inherent in the Company's business, see the Management Discussion and Analysis (MD&A) section of this Annual Report.

INTERNAL CONTROL

Standards and governing regulations:

Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), TMK's Regulations on Internal Control (<https://www.tmk-group.com/Documents>).

TMK Group's **integrated risk management and control system** follows the three lines of defense model:

- 1) Control, exercised by management as part of operational tasks;
- 2) Dedicated control units;
- 3) Internal audits assuring the effectiveness of the first and second lines of defense.

INTERNAL AUDIT

The reliability and effectiveness of TMK Group's internal controls, risk management and corporate governance are assessed by the **Internal Audit Service (IAS)**.

Purpose:

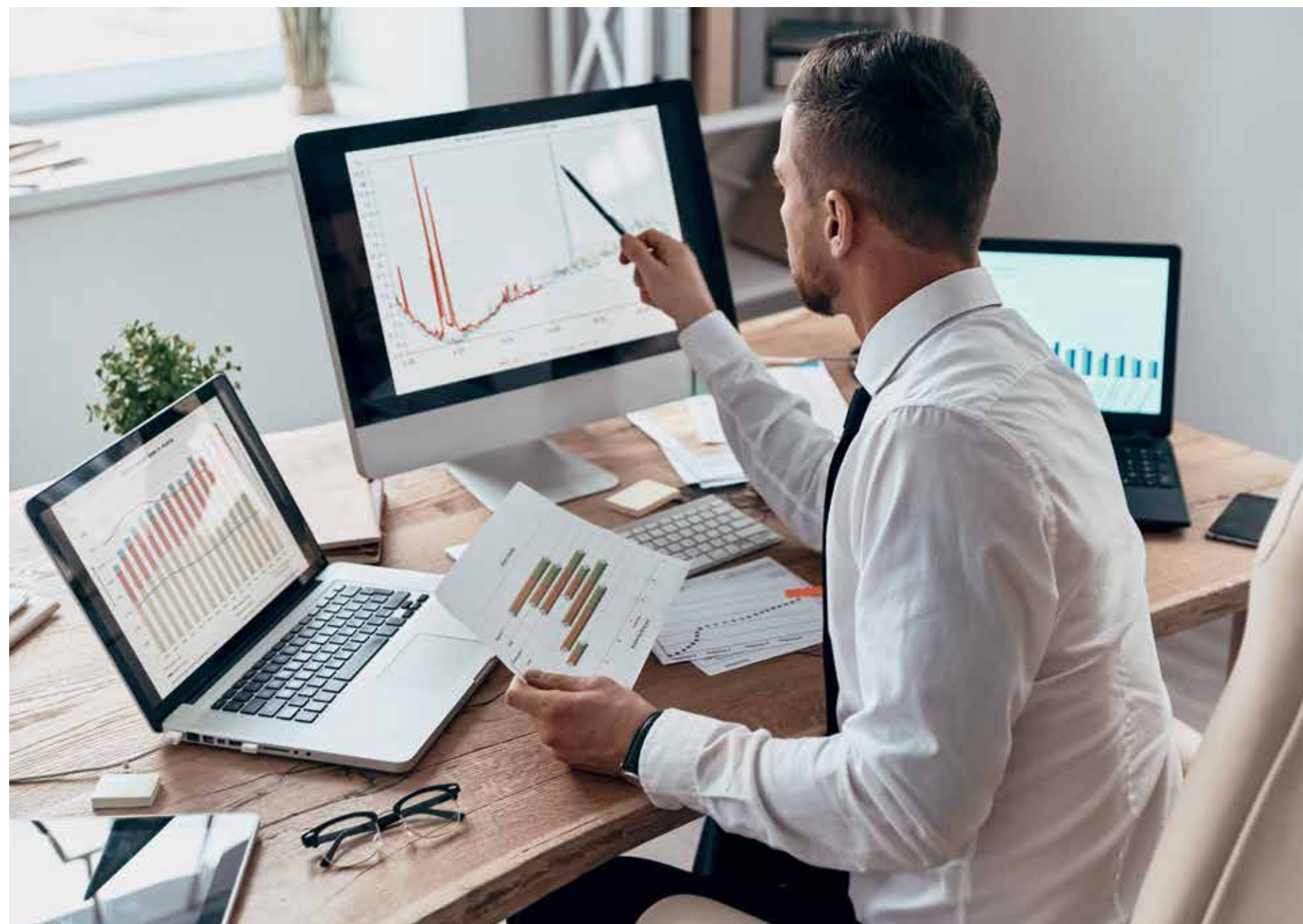
to assist TMK's Board of Directors/Audit Committee and executive bodies in improving the management of TMK Group by objectively assessing the performance of internal controls, risk management and corporate governance.

Governing regulations:

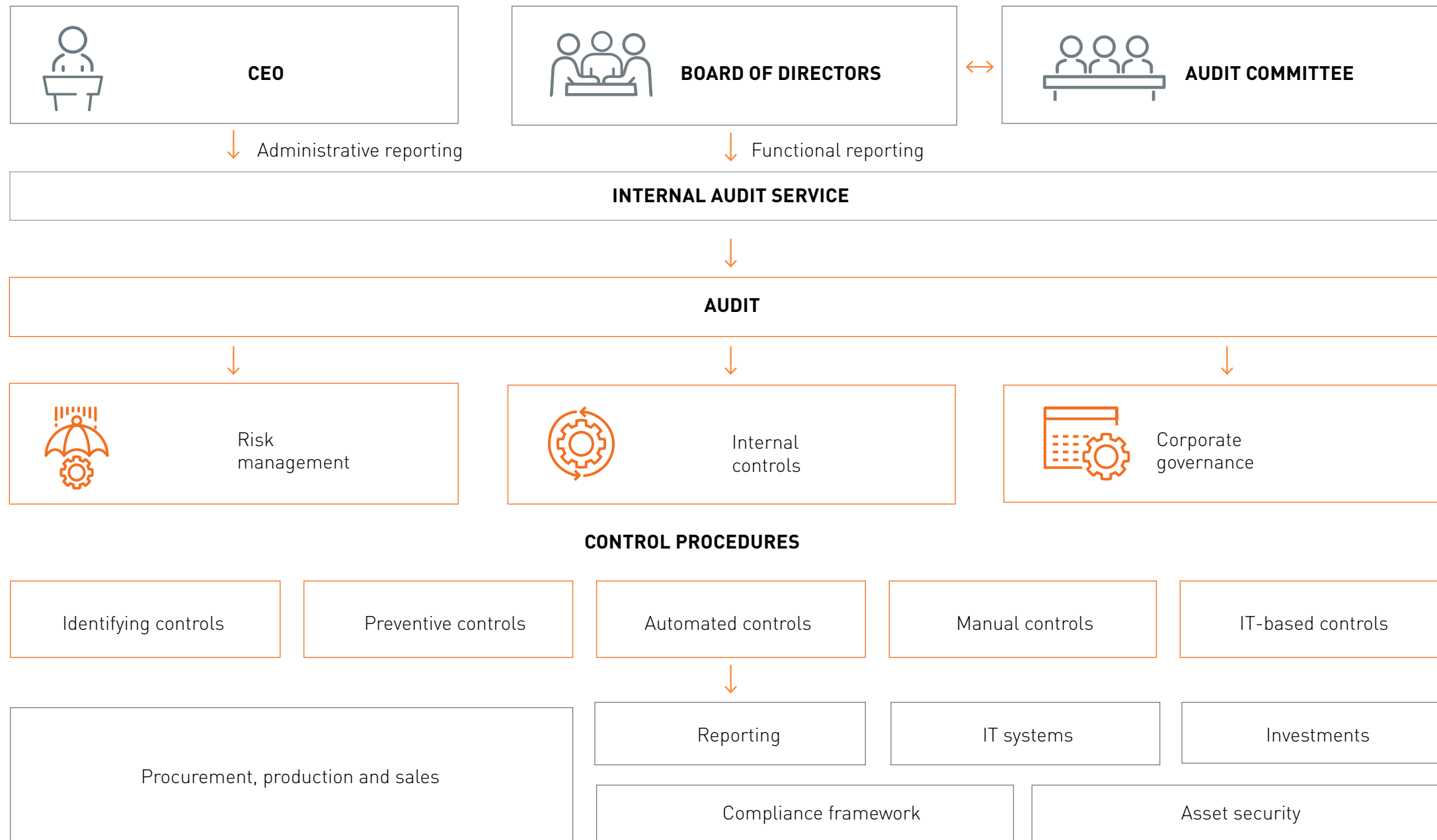
Internal Audit Policy of TMK Group and the Regulations on the Internal Audit Service of PAO TMK (<https://www.tmk-group.com/Documents>).

Organization:

The IAS is an independent unit reporting directly to PAO TMK's CEO (administratively) and to the Board of Directors via the Audit Committee (functionally), which ensures its **independence and objectivity**.



PAO TMK'S INTERNAL AUDIT SYSTEM



The IAS has regional units (TMK divisions), which use a single planning and reporting system.

Internal auditors are guided by the uniform Guidelines on Internal Audit at TMK Group (TMK's Order No. 408 dated November 30, 2015). Internal audits are carried out in line with annual audit plans approved by the Company's Board of Directors and the CEO. Following the audits, TMK Group's management develops and implements corrective action plans.

The IAS monitors the implementation by business units of planned actions and recommendations on the elimination of gaps, oversees the compliance with insider laws across the Company, and reports to the Audit Committee on a regular basis and to the Board of Directors at the end of each year.

INTERNAL AUDIT QUALITY ASSESSMENT



In line with TMK Group's Internal Audit Quality Assessment and Improvement Programme (approved by TMK's Order No. 408 dated November 30, 2015), a utility and performance assessment of the IAS is conducted annually (including self-assessment, assessment by TMK's management and the Board of Directors).

RESULTS OF THE INTERNAL ASSESSMENT

As noted by TMK's management, the recommendations the IAS made in 2019 are relevant and highly needed – as they help improve the performance of audited entities and the internal audit system in general. No circumstances were identified that could impact the scope of the audits or the contents of internal audit reports, or prevent the auditors from being objective when carrying out their duties.

The meetings of the Audit Committee and the Board of Directors held on 18 December 2019 and on 20 December 2020 gave a positive assessment of the performance of TMK's risk management, internal controls and internal audit in the reporting year as well as approval of the report on the IAS' work in 2019 and the annual internal audit plan for 2020.

Based on the results of internal and external assessments, measures have been developed and implemented to improve the IAS' performance and bring its activities closer in line with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.

AO Deloitte & Touche CIS conducted an **external diagnostic of the IAS** in 2019, looking into its alignment with stakeholder expectations and compliance with the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics of the Institute of Internal Auditors, the Corporate Governance Code recommended by the Bank of Russia, and listing rules.

RESULTS OF THE EXTERNAL DIAGNOSTIC

The IAS is guided by independence and objectivity principles as well as high ethical standards. Its activities are fully aligned with the Corporate Governance Code and the listing rules of Moscow Exchange and London Exchange and partially – with the International Standards for the Professional Practice of Internal Auditing.

The audit plan includes regular audits of the Company's major assets and unscheduled audits at management's request.

The IAS employees have extensive experience and deep understanding of production processes.

Areas for improvement: adopt a more strategic view of business, build additional skills in IT and modern audit methods, improve communications processes.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Control scope:

reporting procedures for both standalone controlled entities and consolidated financial statements of PAO TMK

Purposes:

- Compliance of the accounting policy with national and international accounting standards (RAS and IFRS)
- Completeness and accuracy of accounting records, timely detection of errors
- Reliability of financial statements
- Conformity of financial statements to the law as well as national and international standards
- Timely preparation of financial statements

Principles:

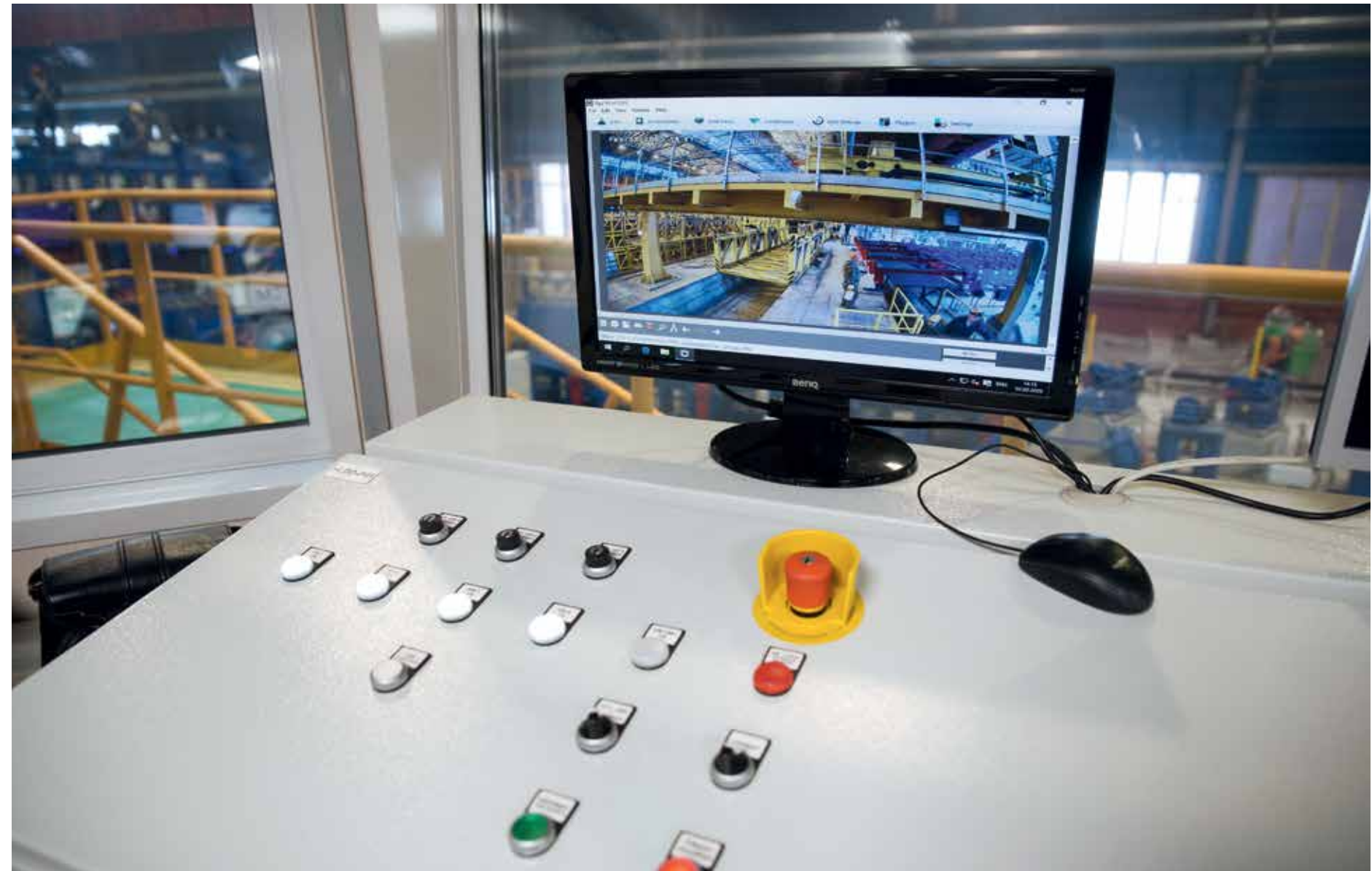
centralized development of RAS and IFRS accounting policies, providing for uniform accounting for, and recording of, similar transactions.

Capabilities:

all employees engaged in the preparation of statements have a degree in accounting or finance and are regularly upskilled. PAO TMK's Chief Accountant and the head of the department engaged in the preparation of IFRS consolidated financial statements are members of the Association of Chartered Certified Accountants (ACCA).

Digitization:

the preparation of consolidated financial statements at the Company has been automated in line with the latest international standards to ensure its efficiency.



REVISION COMMITTEE

PAO TMK's Revision Committee is a standing control body elected by, and accountable to, the General Meeting of Shareholders. The Revision Committee submits to the General Meeting of Shareholders its opinion based on the results of auditing annual reports, RAS financial statements and reports on interested party transactions. The Revision

Committee's opinion is previewed by the Audit Committee of the Board of Directors.

The Revision Committee's activities are regulated by PAO TMK's Articles of Association and PAO TMK's Regulations on the Revision Committee (https://www.tmk-group.ru/media_ru/files/51/Polozhenie_RK.pdf).

COMPOSITION OF THE REVISION COMMITTEE*

Position as at December 31, 2019

**Alexander
Valeyev**

**Sergey
Sidnev**

**Nina
Pozdnyakova**

(Chairman) Deputy CEO for Corporate Compliance Risks of PAO TMK

Chief Accountant of JSC Sinara Group

Director of the Accounting and Tax Methodology Department of PAO TMK

* Elected by resolution of PAO TMK's Annual General Meeting of Shareholders on June 20, 2019.

In 2019, the Revision Committee held four meetings. The Revision Committee confirmed the reliability of data provided in PAO TMK's RAS annual accounting

(financial) statements and Annual Report 2019, as well as information contained in the Report on PAO TMK's Interested Party Transactions in 2019.

EXTERNAL AUDITOR

TMK's auditor, LLC Ernst & Young, is a member of the Self-Regulatory Organization of Auditors Association Sodruzhestvo.

The Company engages an external auditor on an annual basis to independently assess the reliability of the accounting (financial) statements prepared in accordance with RAS and IFRS.

Purpose:

confirm the reliability of the Company's financial (accounting) statements prepared in accordance with national and international financial reporting standards (RAS and IFRS).

Governing regulations:

Policy on Selection of TMK Group's External Auditor approved by the Board of Directors (<https://www.tmk-group.com/Documents>).

An external auditor to conduct an independent audit of the Company's RAS statements is proposed by the Board of Directors and approved by PAO TMK's General Meeting of Shareholders.

Control

The Audit Committee assesses the external auditors for independence, objectivity and absence of conflicts of interest, oversees the external audit and reviews the external auditor's opinion.

To ensure the auditor's independence and objectivity, the following procedures are in place:

- The Company holds a tender to select TMK Group's auditor pursuant to the terms and conditions approved by the Audit Committee, which also organizes the tender and announces its results
- The Audit Committee may request an early tender (including following the assessment of the auditor's performance and its independence)
- The auditor is selected from among internationally recognized independent auditors and is approved by the Board of Directors

To mitigate the risk of a long-term relationship compromising the external auditor's independence and objectivity, members of audit teams and the lead partner responsible for the audit are subject to rotation.

PAO TMK **approved LLC Ernst & Young**, a member of the Self-Regulatory Organization of Auditors Association Sodruzhestvo, as the external independent auditor of its 2019 and interim consolidated and standalone accounting (financial) statements.

In 2019, the auditor's remuneration for auditing the annual financial statements and conducting interim reviews (including audits of standalone statements of individual TMK entities) was \$2.50 million, and \$0.06 million for non-audit services.

MANAGING POTENTIAL CONFLICTS OF INTEREST

Purpose:

identify, manage and prevent conflicts of interest involving the Company's shareholders, governing bodies and employees.

Governing regulations:

- Articles of Association, Code of Ethics, regulations on governing bodies (<https://www.tmk-group.ru/Documents>)
- Regulations on the Conflicts of Interest (new version of May 13, 2019) https://www.tmk-group.ru/media_ru/files/861/Polozhenie_o_konflikte_interesov_PAO_TMK.pdf and other internal documents.

KEY MECHANISMS USED BY TMK TO PREVENT CONFLICTS OF INTERESTS:

Involving the Company's shareholders:

- Adhering to the order of, and procedure for, passing resolutions on key matters
- Complying with the voting procedure for interested party transactions and disclosing transactions
- Ensuring transparency and openness when preparing and holding Meetings of Shareholders, and prompt information disclosures on meeting agendas and resolutions passed by the Board of Directors

- Engaging external auditors from the Big Four accounting firms
- Deploying dilution of value prevention tools. Ensuring that our vendors are selected in line with the Company's standards, which provide for open competitive procurement procedures

At the level of members of the Board of Directors:

- Members of the Board of Directors are to refrain from actions that will or may result in a conflict between their interests and those of the Company, and should such a conflict arise, they should promptly disclose to the Company any relevant information
- Notify the Board of Directors of TMK securities owned by them and transactions with such securities, disclose their equity interests in controlled entities, contemplated transactions in which such members of the Board of Directors could be deemed interested (with the

existing interest and its grounds to be promptly disclosed)

- Notify the Board of Directors of their intention to join the governing bodies of other entities (apart from the entities controlled by the Company) and of being elected (appointed) to such bodies

The Code of Ethics and the Regulations on the Conflicts of Interest govern conflicts of interest **involving** TMK employees, including members of executive bodies.

- Employees must provide the Company with information, in writing, regarding any conflict of interest between the employee or their close relatives and the Committee on Regulating Compliance Risks. In 2019, the Committee received two such disclosures
- Protecting employees from adverse consequences due to a reported conflict of interest that has been promptly disclosed by the employee and managed (prevented) by the Company

No conflicts of interest were identified with either members of the Board of Directors or members of the Management Board of PAO TMK in 2019.

TEN POINT CODE OF ETHICS



1 The Code applies to all companies and employees of the TMK Group.



2 The Code establishes how to run and develop our business correctly, performing one's job in good faith and respecting colleagues, partners and clients on a daily basis.



3 The key principle for conducting our Company's business is legality. We are also guided by the generally accepted rules of conduct and of business ethics, and by common sense.



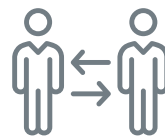
4 The Company's purpose is to generate profit. Each and every employee must act conscientiously, perform their job duties exclusively in the interests of the Company, and do everything in their power to protect the rights and interests of the Company and its shareholders.



5 The Company adheres to the principles of equality, respect for personal dignity, politeness and professionalism. Discourtesy, discrimination and denigration of human dignity are unacceptable.



6 The Company is guided by the principle of fair and open competition.



7 In its activities, the Company pursues a Zero Tolerance policy toward corruption, commercial bribery, fraud, theft and money laundering. Such actions are not only illegal, they also undermine the business and the welfare of its participants.



8 Employees are a valuable asset of the Company, which endeavours to provide safe working conditions for each and every staff member and demands strict observance of the health and safety rules.



9 The Company adheres to high standards of information security against unlawful use. It protects not only commercially sensitive information but also the personal data of its employees, shareholders and partners.



10 The Company's employees must comply strictly with the Code and assist the Company in putting a stop to any unlawful conduct or breaches of the Code.

FIGHTING CORRUPTION AND FRAUD

Purpose:

maintain a zero tolerance attitude toward corrupt behavior.

Governing regulations and standards:

- Transparency International's Business Principles for Countering Bribery
- Code of Ethics
- Corporate Governance Code
- Regulations on the TMK Charity Policy (Endowments, Donations)
- Regulations on the Conflicts of Interest
- Regulations on the Committee on Regulating Compliance Risks

- Policy on Comprehensive Psychological and Physiological Testing

- Antitrust Policy

- Guidelines for Mitigating Antitrust Risks

- Reminder concerning the use of the hotline

Organizational structure:

- Deputy CEO for Corporate Compliance Risks
- CEO's Committee on Regulating Compliance Risks and its regional subcommittees
- Compliance Risk Department

Control:

Board of Directors/Audit Committee

TMK has a clearly structured and independent **compliance framework**, which ensures compliance with legal and ethical standards. The system integrates preventive measures, detection of, and sanctions for, violations. This process is coordinated by the CEO's **Committee on Regulating Compliance Risks** and its 18 regional subcommittees which work based on a single plan across all TMK Group's divisions and plants.

Protection for whistleblowers:

to ensure the whistleblowers' anonymity, all incoming information is directed to a dedicated group of three authorized members of the Committee on Regulating Compliance Risks, who have signed a non-disclosure agreement.



by Whistleblower Hotline: 8 800 700 8072 (you may call free of charge, from anywhere in the country, round the clock);



by e-mail: 8072@tmk-group.com (you may send the notification from any e-mail address);



by post to: 40/2a Pokrovka Street, Moscow, 105062, Hotline

1714

reports via the Hotline

Vetting counterparties and monitoring transactions:

transactions within counterparties' ownership chain are continuously monitored for conflicts of interest, with anti-corruption clauses and other mandatory conditions included in contracts and with risks of all TMK's counterparties reviewed for sanctions risks using the X-COMPLIANCE programme.

Membership of PAO TMK:

- Corporate member of the International Compliance Association (ICA)
- One of the members of the Russian Union of Industrialists and Entrepreneurs (RSPP) who have signed Anti-Corruption Charter of Russian Business
- TMK regularly participates in the All-Russian Interactive Anti-Corruption Campaign launched by the Chamber of Commerce and Industry of the Russian Federation

Training:

the Committee on Regulating Compliance Risks arranged for regular workshops to be run across all of TMK business units. In 2019, 63 trainings took place involving 1,433 of the Group's managers. To train our managers, TMK2U Corporate University developed a remote course on Compliance Risk Management, which is available on the corporate web portal. 1,309 employees were trained in 2019.

Assessment:

TMK Group's 2019 anti-corruption report was discussed at a meeting of the Audit Committee (minutes dated December 18, 2019) and received a positive assessment.

1,309
employees trained under distance learning programmes

63
trainings

1,433
managers trained under classroom programmes



Feedback:

to enable public control, TMK operates a hotline information system (telephone lines and e-mail 8072@tmk-group.com), which can be used by the Company's employees, investors, clients and other stakeholders to report any known abuse or violations. Overall, in 2019, TMK's hotline received 860 calls (down 8% year-on-year) and 854 emails (up 11% year-on-year). The appropriate personnel and management decisions were taken to address the confirmed cases.



Plans:

as instructed by PAO TMK's Board of Directors (Minutes No. 5 dated September 19, 2019), we have developed the **PAO TMK's 2020 Anti-Corruption Improvement Programme**, including planned certification to ISO 19600 Compliance management systems and ISO 37001 Anti-bribery management systems.

INFORMATION SECURITY

WITH THE UBIQUITOUS PRESENCE OF COMPUTER TECHNOLOGY IN OUR LIVES, INFORMATION SECURITY HAS BECOME ESSENTIAL FOR THE COMPANY'S OPERATIONS AND SUSTAINABILITY.

Purpose:

to protect commercially sensitive confidential information, insider information and personal data of employees, shareholders and partners.

Governing regulations:

Strategy to Ensure and Improve Cybersecurity, Information Security Policy of TMK Group Russian Entities, the medium-term programme to improve security of TMK's IT infrastructure.

Organizational structure

Deputy CEO for Security, PAO TMK's Information Technology Department, PAO TMK's Economic Security Service, PAO TMK's IT Infrastructure Protection Department, as well as local cybersecurity departments and desks at PAO TMK entities.



Given the high penetration of advanced digital technology as well as existing information security risks, in 2019 TMK adopted its **Strategy to Ensure and Improve Cybersecurity to 2022** in order to:

- create an effective cybersecurity system at TMK Group
- gain additional advantages through more reliable business processes, lower operation costs for security tools, and reduced fraud and data leakage risks.

Key principles:

business focus and holistic approach, corporate-wide methodology and approaches to the system's development.

CORPORATE CYBERSECURITY (HOLISTIC APPROACH)

Implementation of the Strategy to 2022 in 2019

A security information and event management (SIEM) system implemented to automate security event detection from different web resources and protect the IT infrastructure of the Russian division's key plants. This system will serve as a technology platform for building **TMK's Security Operations Center (SOC)**.

A basic digital hygiene course was designed in 2019 to raise information security awareness among TMK Group employees, with trainings held across all entities of TMK's Russian division.



Strategy implementation plans for 2020:

- Build the SOC to boost TMK's ability to increase visibility of information security breaches and accelerate incident response as well as to comply with Russian Federal Law No. 187-FZ
- Continue the project to align the existing cybersecurity landscapes and practices
- Embed a platform to organize internal phishing drills and build up digital hygiene skills among all TMK employees
- Continue building a security system to protect the cloud-based data center in order to mitigate risks associated with digital transformation

CORRELATION BETWEEN THE STRATEGY TO ENSURE AND IMPROVE CYBERSECURITY AND THE COMPANY'S BUSINESS GOALS

TMK's Strategy to 2027

Strategy to Preserve and Improve Cybersecurity to 2022

TMK's Mission

Be a "responsible global supplier of efficient solutions for consumers of steel pipes focused on increasing shareholder value".

Responsible – brand protection, prevention of data breaches, protection against data leaks, security of transactions and document flow
Global – distributed infrastructure, secure data transmission, secure access to shared services
Pipes (products) – cybersecurity of industrial facilities, compliance with Federal Law No. 187-FZ
Efficient solutions – reducing costs through selecting optimal solutions, automation and risk-based and proactive approaches

Horizon I (2018–2022)

- Enhance safety levels for our employees
- Develop a service offering of comprehensive design solutions for customers using cutting-edge digital technologies

- Focus on critical Russian IT infrastructure (Federal Law No. 187-FZ) considered as socially important
- Mitigate the risk of harm to human life and health (Resolution No. 127 of the Russian Government)
- Embed cybersecurity tools into the project cycle. Adopt the security-by-design approach

Horizon II (2023–2027)

- Adopt breakthrough digital technology and services, including Big Data, which will be transformed into a key driver of the Company's growth

- Achieve a cybersecurity level that will ensure uninterrupted operation during digitization of production processes

Strategic priorities: innovation and digitalization

- Use cutting-edge digital technology (Big Data, Industrial Internet of Things, machine vision, 3D printing, blockchain) to improve product quality and cut costs
- Develop e-commerce across all divisions of TMK

- Regularly review and improve TMK's existing threat model and build a risk map
- Apply adequate next-generation security tools
- Leverage cutting-edge technology to support cybersecurity systems and services
- Ensure and monitor confidentiality, integrity and accessibility of TMK eTrade data

Operational strategy (Production)

- Develop information technologies and manufacturing execution systems (MES) at the Company
- Digital technology, digitalization

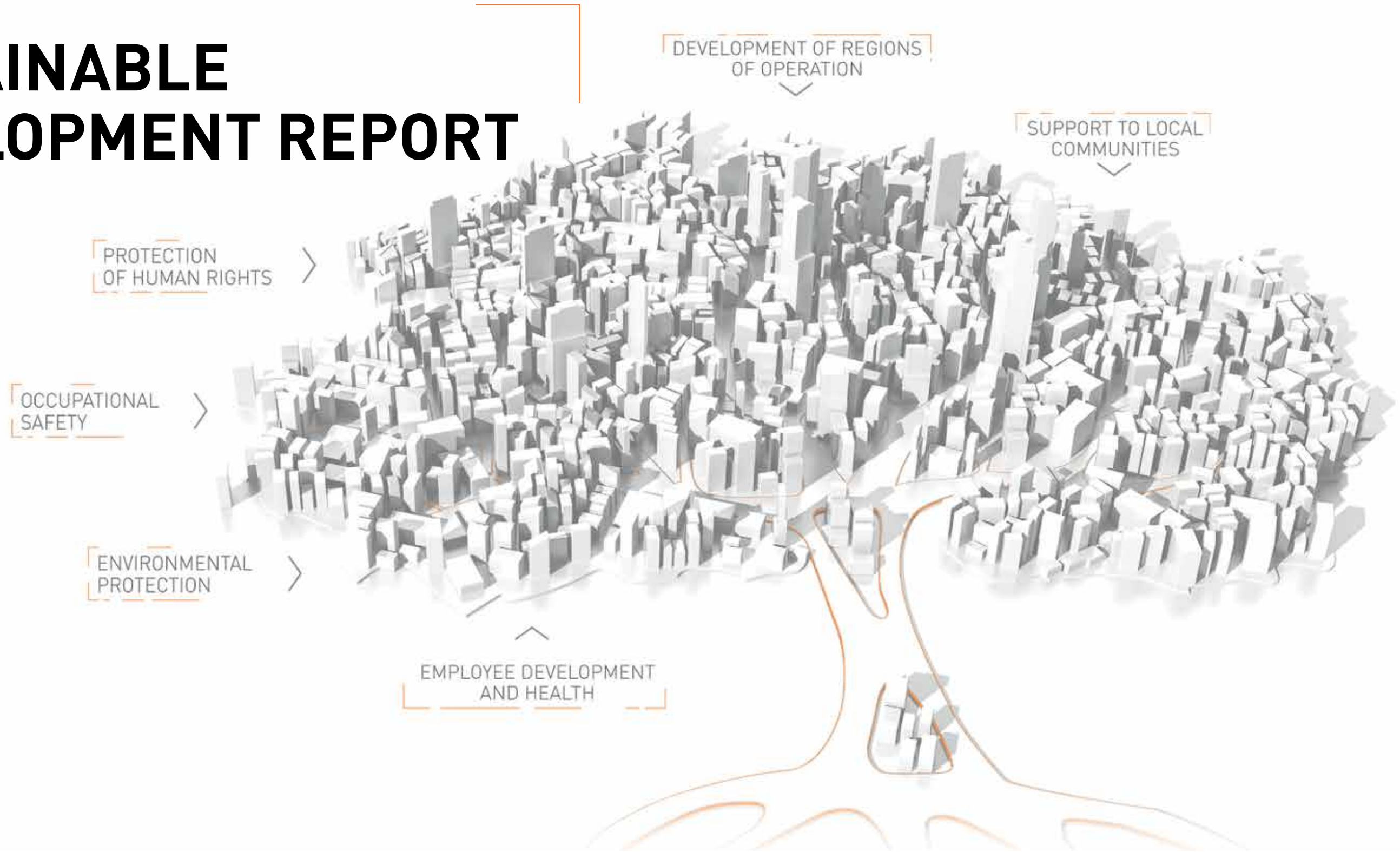
- Develop and maintain continuity and disaster recovery tools for business processes
- Embed alternative authentication methods
- Embed next-generation cybersecurity technology (Big Data or AI-based) to provide proactive protection driven by advanced behavioral analytics and anomaly detection
- Deploy SIEM systems as a technology platform to organize cybersecurity incident management processes. Build a Security Operations Center (SOC) based on these processes

HR Strategy

- Actively embed project management and Agile methods into the organizational management framework
- Embed leading-edge digital technology and IT solutions into the core HR processes (recruitment, deployment, training and development), as well as into HR analytics and HR forecasting

- Embed technology to support a secure software development process
- Raise employee security awareness and integrate digital hygiene into TMK's corporate culture

SUSTAINABLE DEVELOPMENT REPORT



STAKEHOLDER RELATIONS

TMK's sustainable development is based on transparency and trust in our relations with stakeholders.

TMK identifies stakeholders as parties that may be significantly affected by the Company's operations, and parties that may affect the Company's ability to successfully implement its strategy and achieve its goals. TMK's key stakeholders are the Company employees, shareholders and customers, as well as the investment community, federal and regional authorities, local communities, suppliers, contractors, and trade unions.

We believe that a long-term partnership is possible when based on mutual benefit and commitment to ethical principles of doing business, which are formalized in TMK Group's Code of Ethics at https://www.tmk-group.com/media_en/files/51/Code_of_Ethics.pdf.

TMK's varied stakeholder engagement practices enable timely identification of relevant risks and new opportunities for cooperation.

This Annual Report is a key communication tool simultaneously addressing all of our constituent stakeholders. When preparing this Annual Report, we primarily focused on addressing stakeholders' concerns in the reporting year and also followed expert recommendations to improve the Report's quality.

Stakeholder relations and information addressing the concerns of stakeholders are presented in relevant sections of this Annual Report and in the chart below.

BY THE WAY

In December 2019, the Company was named a sustainability and social performance leader in AK&M and Russian Union of Industrialists and Entrepreneurs (RSPP) ratings according to its scores in the Responsibility and Transparency and Sustainable Development Vector rankings compiled by RSPP. TMK also topped the annual social performance rating among Russian metals and mining companies, compiled by AK&M.



STAKEHOLDER RELATIONS: COMMUNICATION AND FEEDBACK CHANNELS



CONSUMERS

- Focus on mid-term and long-term partnership
 - Delivering on all contractual obligations
 - A technical sales function to harmonize our offers and consumers' interests
 - A CRM system aimed at:
 - improving the efficiency of consumer relations in sales departments
 - improving response time to consumers' needs, speeding up request processing and commercial offer preparation
 - increasing consumer satisfaction considering their comments and preferences regarding order fulfillment
 - providing a feedback channel
 - A quality management system compliant with ISO 9001:2008 and API Spec Q1
 - Quality Policy
 - Product range expansion
 - Capacity upgrade programme
- TMK eTrade, a tubular goods online store at <https://e-commerce.tmk-group.com/#tmk-sale/front/index>
 - The Products section of the website at <https://www.tmk-group.com/products>
 - A dedicated website to showcase TMK's premium connections at <https://www.tmkup.com/en>
 - Workshops for consumers on the proper use of TMK's tubular products for various sectors
 - Membership in international and Russian industry associations and organizations
 - Participation in exhibitions and industry conferences
 - Anti-Corruption Policy, anti-corruption hotline



SUPPLIERS

- Focus on mid-term and long-term partnership
- Delivering on all contractual obligations
- Uniform principles of supplier relations based on healthy competition among manufacturers, suppliers and contractors
- An e-commerce platform for procurement of TMK's Russian division at <https://zakupki.tmk-group.com/#tmk/front/index>
- Anti-Corruption Policy, anti-corruption hotline



EMPLOYEES TRADE UNIONS

- HR Strategy, Code of Ethics
 - Employee relations based on the principle of social partnership
 - Creating a favorable and safe working environment and improving living standards of employees
 - Providing competitive salaries in the regions in which TMK plants operate
 - KPI-based remuneration
 - Unified (single) remuneration system
 - Social benefits and guarantees
 - Providing opportunities to unlock talent and potential for performance-driven employees
 - Abiding by the terms and conditions of collective bargaining agreements in place at TMK Group's plants
 - Trade union meetings, and other meetings to discuss and sign collective bargaining agreements
- Personnel training and development provided by TMK2U Corporate University
 - An industry-specific independent qualification assessment center at the National Agency for Qualification Development
 - Building an internal talent pipeline
 - Engaging employees via corporate media (the YouTube magazine, plant newspapers and corporate TV), social media and the corporate portal
 - Employee engagement survey



SHAREHOLDERS LENDERS

- Compliance with best practices in corporate governance
- Equal access to information about the Company
- Protection of shareholder rights set out in the Company's Articles of Association
- The Investors section of the corporate website at www.tmk-group.com and www.tmk-group.ru
- Corporate webpages on Interfax and LSE information disclosure websites at <http://www.e-disclosure.ru> and <http://www.londonstockexchange.com>
- Information Policy
- Disclosure of operational and financial results on a quarterly basis
- General Meetings of Shareholders
- Publication of annual reports
- Annual Capital Markets Days
- Participation in investment conferences
- Site visits to TMK plants



FEDERAL AND REGIONAL AUTHORITIES

- Abiding by the applicable laws
- Keeping track of changes in the applicable laws and enforcement practices, as well as legislative initiatives, and preparation of proposals on improving the legal framework
- Engagement in making and implementing decisions by industry associations and organizations
- Engagement in the work of advisory bodies and targeted expert teams
- Partnership with regional authorities to address social and economic issues
- Compliance with environmental laws, holding events to promote environmental protection and mitigate environmental footprint



BUSINESSES AND NON-GOVERNMENTAL ORGANIZATIONS

- Membership and engagement in Russian and international industry and non-governmental organizations
- Participation in forums, conferences, exhibitions and workshops relevant to the Company's businesses



LOCAL HOUSEHOLDS LOCAL COMMUNITIES

- Engagement in the social and economic development of regions
- Cooperation with non-profit organizations and the expert community in the regions of operation
- Sponsorship and philanthropy
- Holding events to promote environmental protection and mitigate environmental footprint



MEDIA

- Arranging for interviews of Russian and international mass media with the Company's top management
- Communicating operational and financial results and TMK's day-to-day operations
- Regular communication with mass media (including answering requests)
- Media tours of TMK plants
- Posting the latest news and information on social media



HUMAN RESOURCES AND SOCIAL POLICY

Elena Pozolotina

Deputy CEO for Human Resources –
Director of TMK2U Corporate University



“At TMK, we take a systematic approach to HR management. This helps ensure the Group maintains its position as one of the world’s leading pipe producers and one of the industry’s best employers, providing competitive working conditions, social guarantees, professional development opportunities and growth potential for career-driven employees.”

Our human capital is a key competitive advantage, and investment in personnel is integral to the Company’s long-term development. We see a return on this investment through improved performance across the Company’s key business metrics.”

Purpose:

align TMK Group’s human capital with our strategic objectives and ensure employees are motivated and have the professional qualifications needed to achieve them.

Governing regulations:

TMK’s HR Strategy for 2018–2022, which is based on TMK’s Business Strategy adopted by the Board of Directors in 2017, TMK’s HR Management corporate quality management standard, internal regulations and policies relevant to the strategy’s key functional areas.

Organization:

Vice President for Human Resources – Director of TMK2U Corporate University provides overall guidance and coordinates HR management activities across TMK Group facilities. HR management organization at each of the Company facilities is structured as an integral part of the company-wide function.

TMK’s HR Strategy defines:

- corporate HR management principles
- corporate values
- strategic HR initiatives
- key areas and tasks
- corporate HR management KPIs.

TMK2U Corporate University celebrated its **second** anniversary

Group headcount:

39,109

5%

year-on-year: average pay increase

IMPLEMENTATION OF TMK'S HR STRATEGY IN 2019

Corporate development and headcount management

In 2019, TMK's total headcount across its facilities in Russia, the USA, Canada, the EU (including Romania), the UAE and Kazakhstan was 39,109. We continued implementing our comprehensive approach to building a robust management framework focused on synchronizing business processes and production plans

across our organisations, enabling us to right-size our workforce across TMK while boosting labour productivity and employee performance. We also continued our efforts to divest non-core assets.

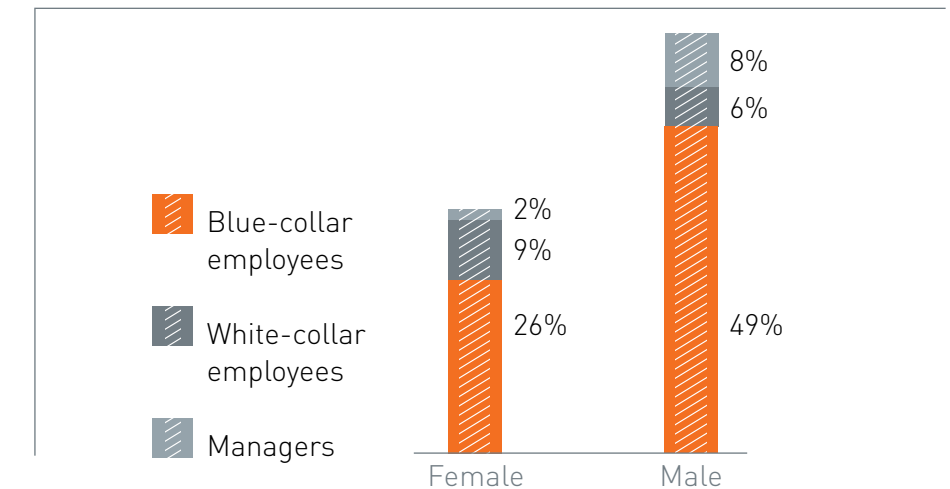
Headcount changes in 2019 were due to:

- in the European division, less overtime work, as well as compliance with occupational health and industrial safety requirements and with updated environmental regulations
- in the American division, the dynamics of the national

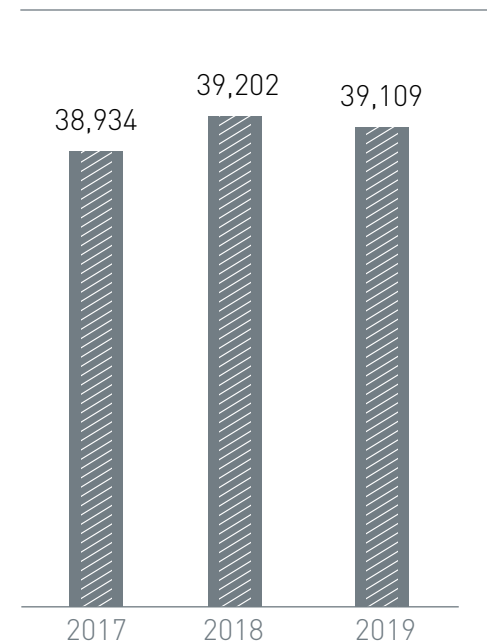
tubular products market and the preparation for divestment of TMK's assets in the United States

- in the Russian division, higher output, including output of high-tech pipes, and the implementation of investment projects.

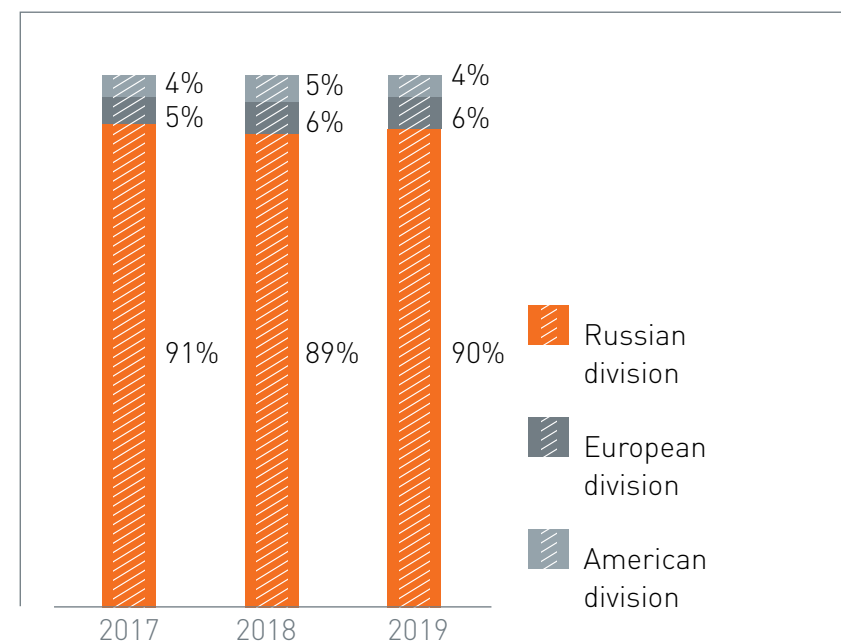
Headcount breakdown by category and gender



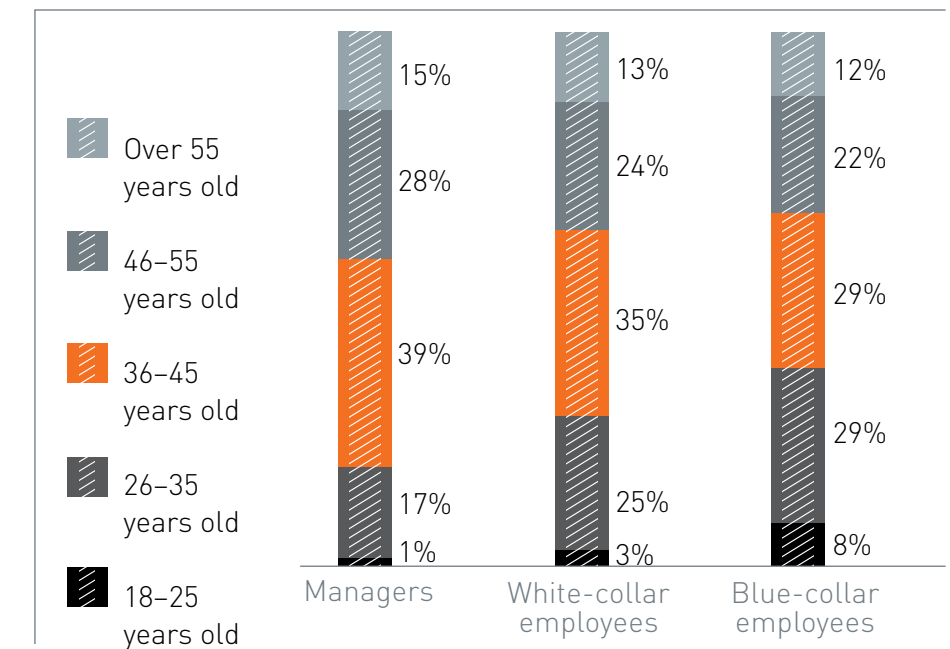
TMK's headcount



TMK's headcount by division



Headcount breakdown by age and category



The age composition of the Company's workforce reflects our strategic initiatives and facilitates the seamless transfer of expertise, knowledge and skills from one generation to the next, thereby ensuring effective succession for production personnel on an ongoing basis. The Company complies with all statutory requirements to headcount breakdown by gender and age.

EMPLOYEE INCENTIVES AND COMPENSATION

THE COMPANY'S EMPLOYEE INCENTIVE SYSTEM IS AIMED AT ALIGNING THE INTERESTS OF SHAREHOLDERS, MANAGEMENT AND EMPLOYEES OF TMK GROUP PLANTS.

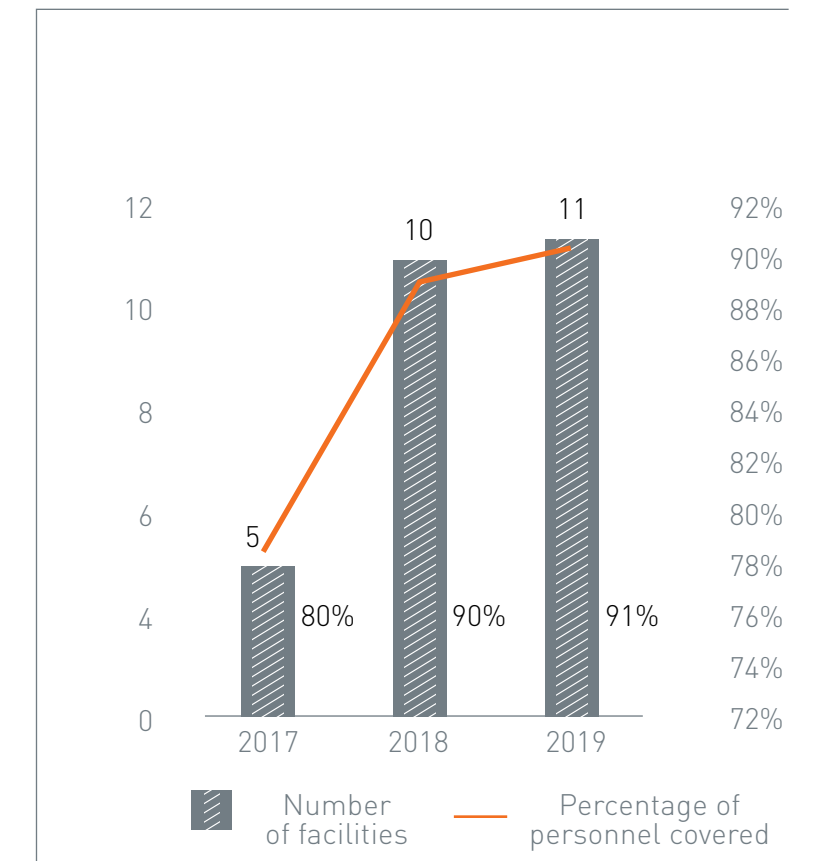


Corporate motivation programmes and unification of the compensation system:

- In 2019, the Unified Compensation System was introduced at TMK-Kaztrubprom (Kazakhstan). At the end of 2019, the Unified Compensation System was in place at 11 production facilities across the Russian division and covered over 31.8 thousand employees
- A special incentive scheme for key production employees operating and maintaining pipe rolling mills is in place at TMK's Russian and Romanian plants

- A targeted incentive scheme was put in place for PAO TMK's sales force to boost sales of large diameter pipe and small and medium diameter welded pipes
- The incentive scheme for members of our working groups focused on cost reduction and procurement performance improvement, as well as teams within our OPEX reduction project, delivered its first results in 2019

Unified Compensation System rollout across the Russian division



AVERAGE PAY AT TMK IN 2017–2019

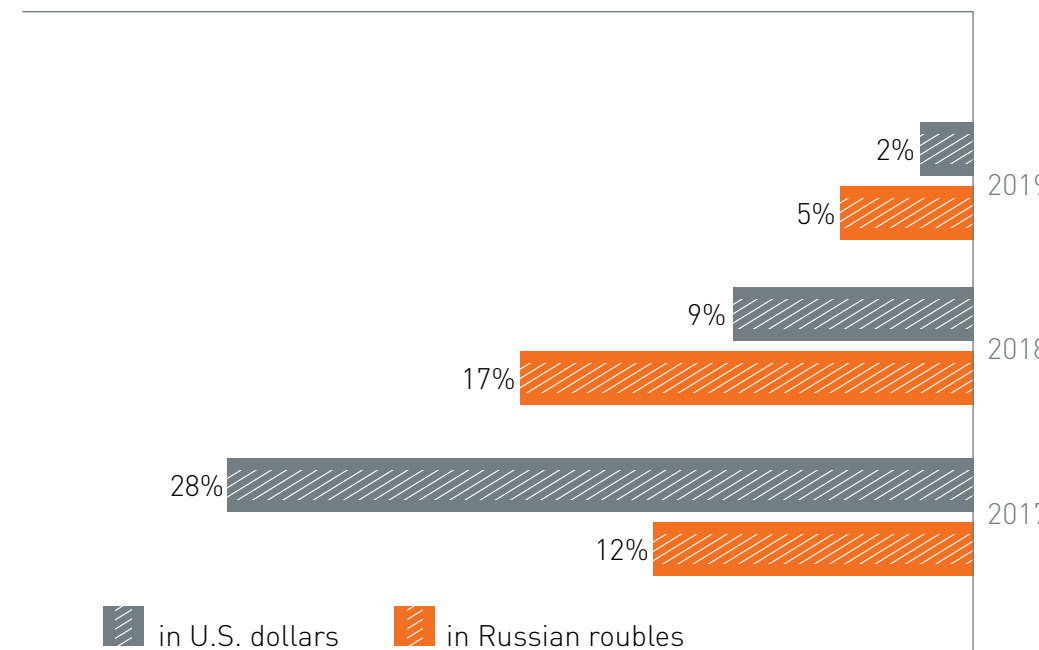
The average pay across TMK was significantly affected by fluctuations in the financial market, in particular, changes in the Russian rouble exchange rate.

In 2019, the average pay increased both in rouble terms (up 5% year-on-year) and in U.S. dollar terms (up 2% year-on-year).

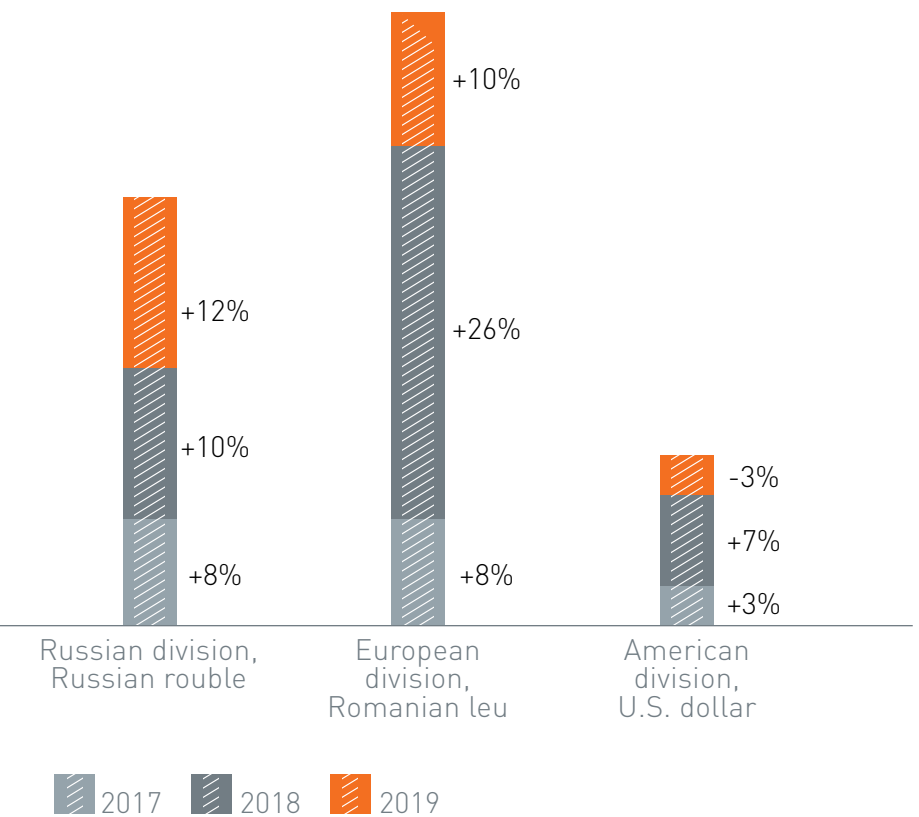
The average pay in local currency demonstrated an upward trend both in the Russian (up 12% year-on-year) and the European (up 10% year-on-year) divisions.

At any TMK entity, each employee's pay is linked to their performance. The Company offers salaries that are competitive in its regions of operation and ensures compliance with national laws, industry agreements and collective bargaining agreements as regards salary indexation, based on the divisions' financial performance.

Year-on-year increase of average pay across TMK Group, %



Average pay increase in local currency by TMK Group division (% year-on-year)



SOCIAL PARTNERSHIP

In 2019, our representatives were actively engaged in negotiating with the Russian Mining and Metallurgical Trade Union and the Russian Metallurgists Association on the Branch Tariff Agreement in the Russian Metals and Mining Industry for 2020–2022.

New collective bargaining agreements were signed at TMK's Romanian facilities:

- TMK-ARTROM – for a term from February 2019 to February 2021;
- TMK-RESITA – for 2019–2020.

The Company's facilities across all divisions complied with the requirements of all applicable codes and standards, whether industry-wide or set forth by collective bargaining agreements.



PROMOTING EMPLOYEE HEALTH

WE ARE COMMITTED TO SUPPORTING EMPLOYEES' PHYSICAL, EMOTIONAL AND FINANCIAL WELL-BEING, WHILST ALSO ENCOURAGING THEM TO TAKE TO A CONSCIENTIOUS APPROACH TO PROTECTING THEIR OWN HEALTH.

IN 2019, MANY OF OUR EMPLOYEES AND THEIR FAMILY MEMBERS SPENT THEIR VACATIONS AND RECEIVED HEALTH RESORT TREATMENT

2,150

at Hotel Romantik (Arkhyz, Russia)

2,200

at Burgas resort (Sochi, Russia)

2,250

children of TMK employees spent their summer holidays at health camps

We have expanded all of TMK's corporate recreation and health programmes for Company employees and their families in order to improve health and offer them more leisure opportunities.



PUBLIC RECOGNITION

IN 2019, THREE TMK EMPLOYEES WERE AWARDED THE DISTINGUISHED METALLURGIST TITLE BY THE GOVERNMENT; 68 EMPLOYEES RECEIVED INDUSTRY AWARDS, WITH 22 RECEIVING THE TITLE OF HONORED METALLURGIST AND 46 THE CERTIFICATE OF MERIT FROM THE MINISTRY.

IN 2019, TMK GRANTED THE FOLLOWING CORPORATE AWARDS TO LEGAL ENTITIES AND INDIVIDUALS IN RECOGNITION OF THEIR CONTRIBUTION TO PROMOTING SUSTAINABLE, LONG-TERM AND MUTUALLY BENEFICIAL RELATIONSHIPS WITH THE COMPANY:

- BADGES FOR BUSINESS COOPERATION WITH TMK WERE AWARDED TO SEVEN PEOPLE
- CERTIFICATES FOR BUSINESS COOPERATION WITH TMK WERE AWARDED TO SEVEN PEOPLE

PENSION PROGRAM

The corporate pension programme is part of TMK's benefit package, aimed at improving the quality of life for retired employees and motivating employees to stay with the Company and improve their performance.

THE CORPORATE PENSION PROGRAM IS PART OF TMK'S BENEFIT PACKAGE, AIMED AT IMPROVING THE QUALITY OF LIFE FOR RETIRED EMPLOYEES AND MOTIVATING EMPLOYEES TO STAY WITH THE COMPANY AND IMPROVE THEIR PERFORMANCE.

In 2019, TMK invested

\$3.09

million in corporate training and career enhancement programmes

Since 2018, TMK2U Corporate University has been the main platform used by Company employees to develop their professional and business skills. The University's headquarters are located at TMK's R&D facility in Skolkovo while it has training grounds at all of the Company's major production sites.

The Corporate University is a key resource for achieving the development objectives defined in our HR Strategy.

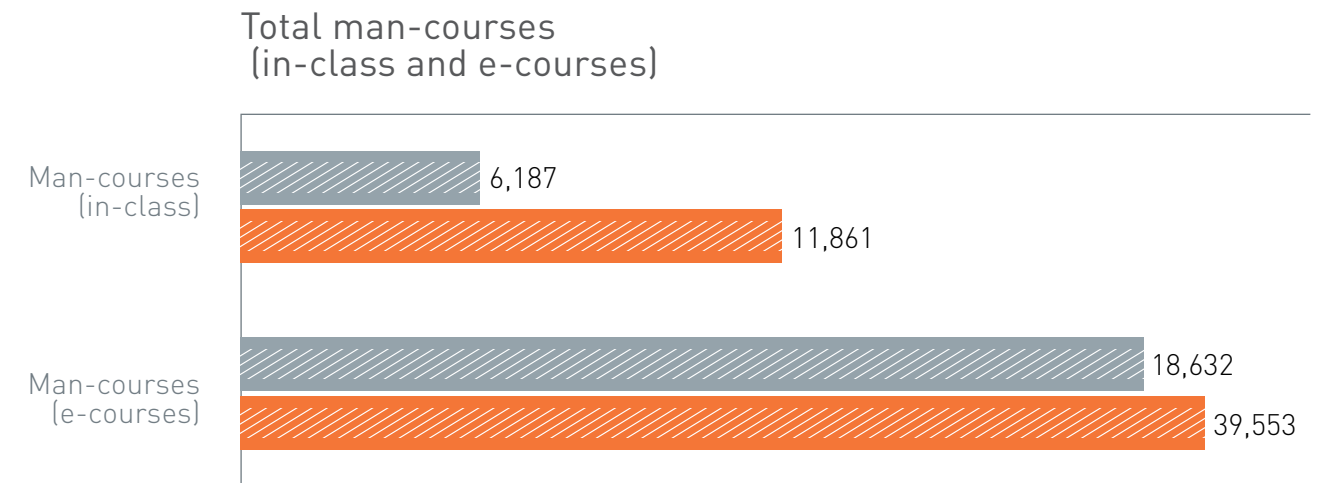
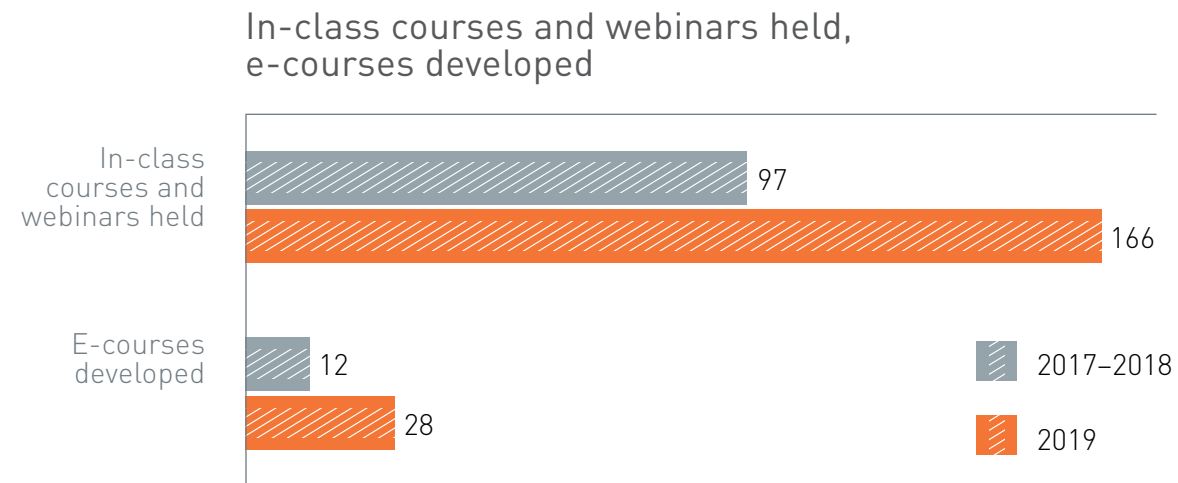
THE FOLLOWING PRIORITY AREAS HAVE BEEN DEFINED FOR TMK2U:

- Establishing consistent employee qualification standards and competencies across all of TMK facilities and regions of operation
 - Formalizing, unifying and facilitating the sharing of competencies between the businesses to ensure the sustainability of processes
 - Compiling a full set of corporate professional standards factoring in the Group's ongoing digitalization and technological innovations and providing uniform criteria for personnel recruitment, onboarding and training, as well as talent pool management
 - Improving the framework of early career guidance comprising TMK-sponsored secondary schools and colleges; contributing to programmes for gifted children (the Sirius Educational Center, the Tochka Opory (Foothold) career advising project, the I'm Professional national competition, the nationwide Internships project, the national Career Night event, etc.) and promoting the latest visualization tools in career advising (gamification, animation, etc.)
 - Attracting gifted students of relevant higher and secondary professional education institutions through competitive selection and targeted support based on the analysis and forecast of the Company's needs
 - Building a system to foster managerial skills in the Company's leaders and identify leadership potential in the younger generation of employees
 - Developing capabilities that enable the Company to manufacture high value-added products
 - Supporting the implementation of investment projects through proactive development of relevant skills
 - Building an environment that fosters creativity and design thinking required to develop next-generation high-tech production facilities
 - Ensuring succession for the Company's management personnel by prioritizing candidates from the talent pool when making appointments to management positions
 - Creating a system of regular qualification and competency assessments of the Company personnel using diverse methods
 - Ensuring a continuous proactive training process by employing both conventional and innovative approaches to training programme design
 - In partnership with public authorities, establishing resource-based personnel training centers (training grounds at production facilities, Skolkovo Innovation Center) based on corporate specialization and a dual education framework
 - Organizing and holding corporate knowledge-building events (the Horizons International Forum, international scientific and practical conferences, TMK Global Forum, professional excellence contests)
 - Developing the intra-corporate social and knowledge-building environment through promoting the MOBI2U social network application and the SOTA2U online education platform
 - Designing and implementing a range of events to reinforce the visibility and positive perception of the Company's HR brand
 - Introducing bilingual distance and multimedia learning and assessment channels via a single interactive platform
 - Creating industry-specific competency assessment centers for the metals and mining industry
 - Fostering employee engagement
- Below follows a visual representation of the progress on these tasks in 2019.

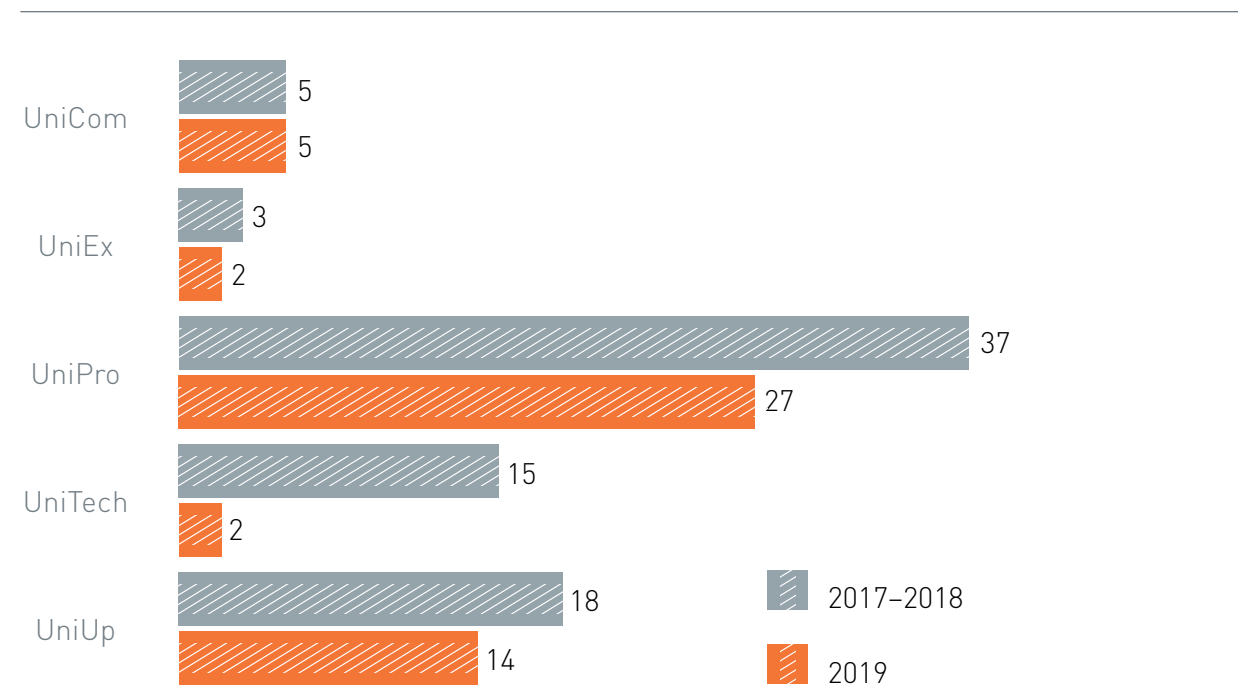
TMK2U CORPORATE UNIVERSITY IS THE KEY ELEMENT OF THE COMPANY'S EMPLOYEE TRAINING AND DEVELOPMENT SYSTEM



A master's program in Managing a Metallurgical Plant was launched jointly with Ural Federal University. In September 2019, the first group of students (27 talent pool members) commenced training.



In two years, the University has designed 128 training programs in five areas



In 2019, on the initiative of TMK2U, steelUniversity initiated the launch of the steelTalks webinar series.

Speakers included top experts representing WorldSteel Association member companies from all over the world



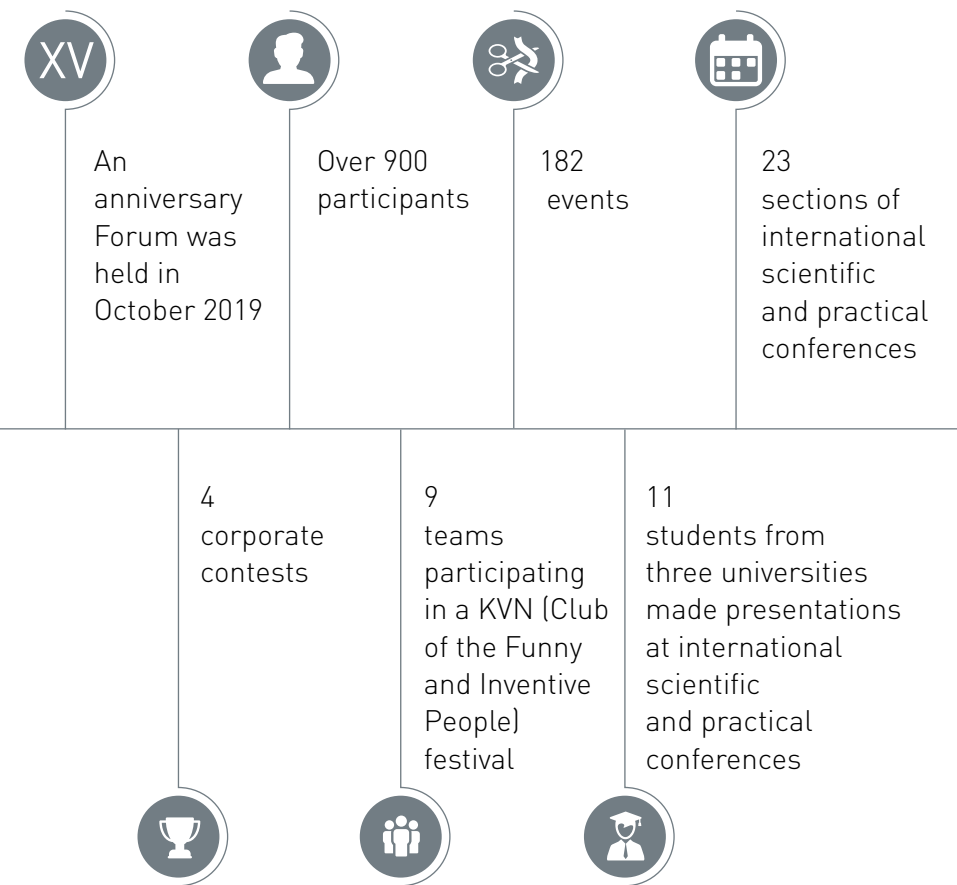
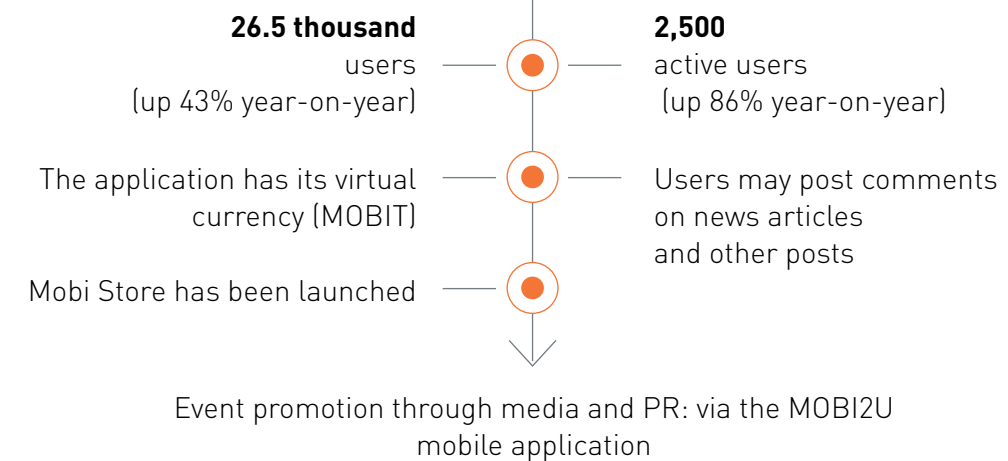
6 webinars were held in 2019

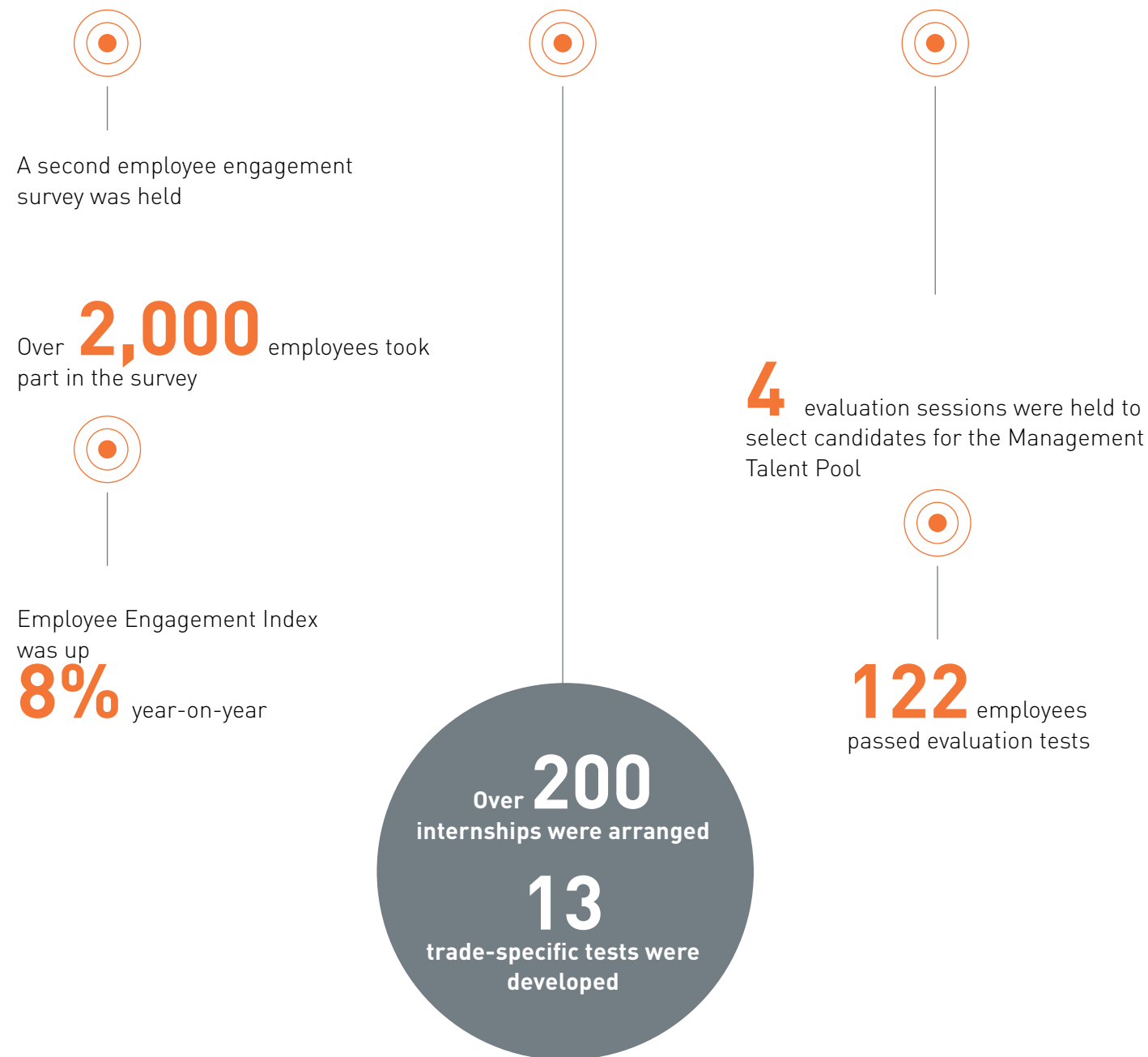
2 speakers represented TMK

CREATING AN ENVIRONMENT THAT FOSTERS DEVELOPMENT, AND PROMOTING BLUE-COLLAR TRADES



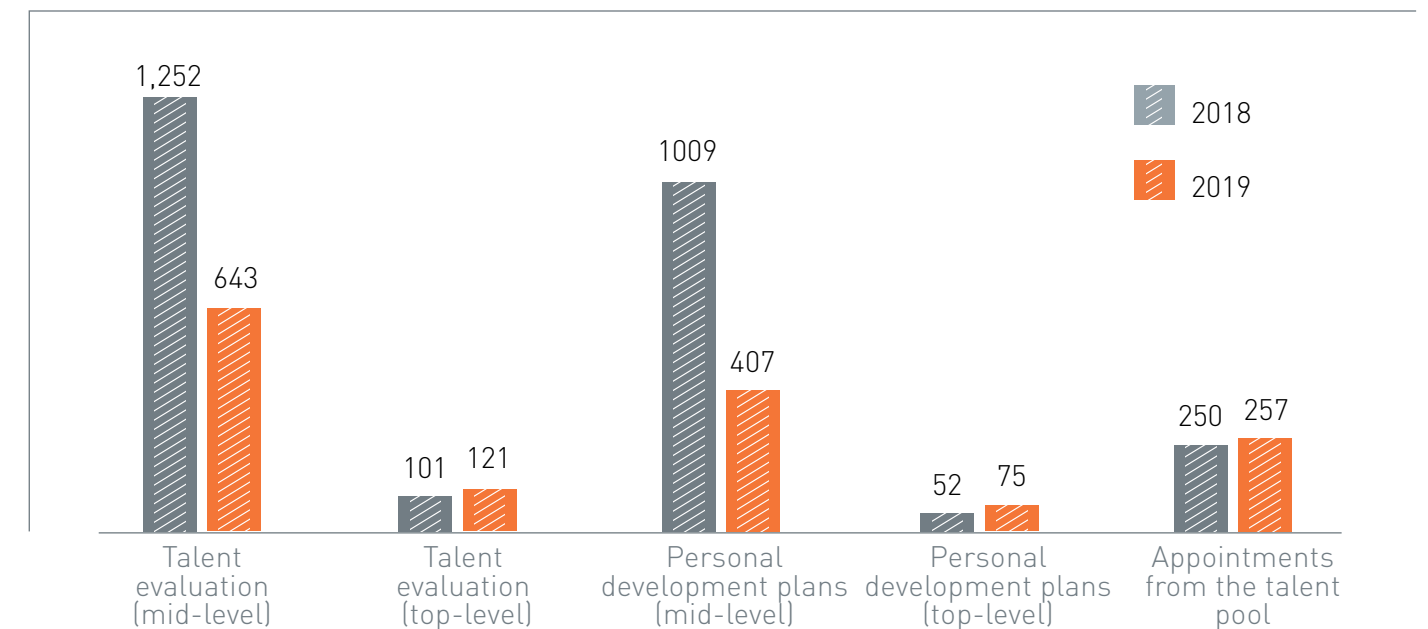
Continued **development of the MOBI2U mobile application** as a tool for building corporate culture



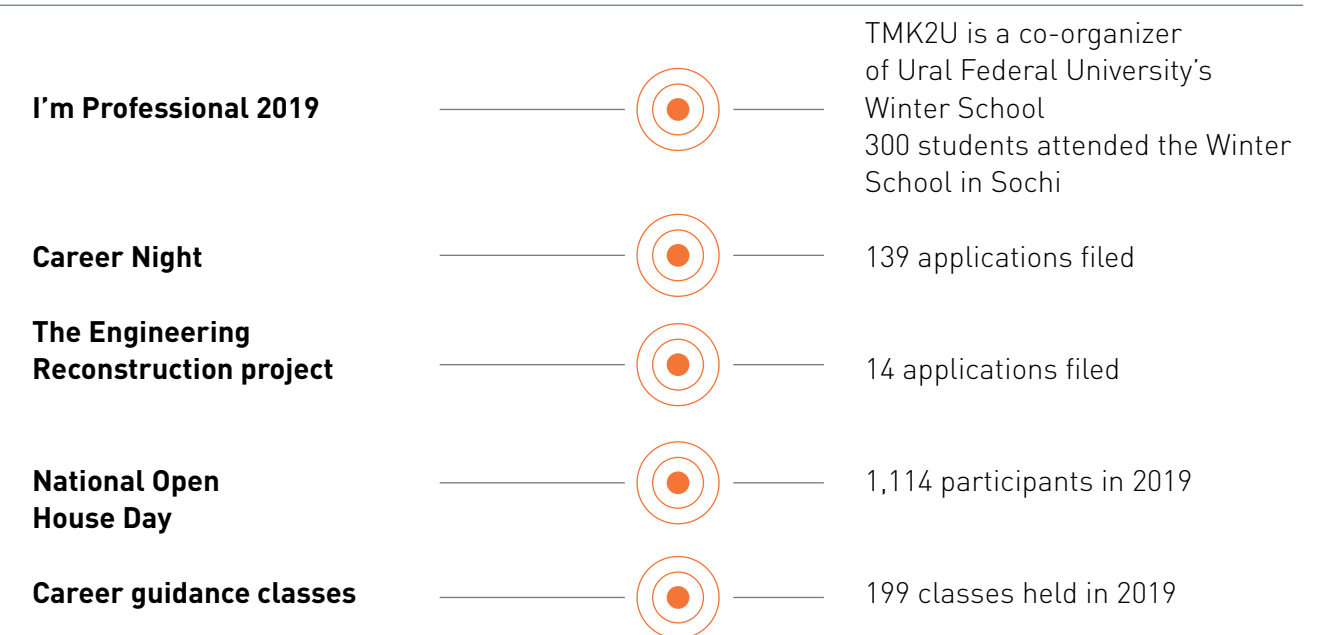


Evaluation and development

number of people



Career guidance



OCCUPATIONAL HEALTH AND SAFETY

- All certified TMK facilities confirmed compliance with OHSAS 18001
- 100% of production sites took part in [Steel Safety Day 2019](#)
- Overall injury rate in the reporting year dropped 31.3%
- No fatalities or group accidents
- Emergency-free production
- Much lower number and frequency of accidents and overall lost workday rate

Purpose:

ensure safe working conditions for each TMK employee and full employee compliance with occupational health and safety requirements.

Governing regulations:

- Occupational Health and Industrial Safety Policy https://www.tmk-group.com/media_en/texts/63/Politika_po_OT_i_PB_utverzhennaya_ENG.pdf
- OHSAS 18001 – Occupational Health and Safety Management System
- Regulations on the Occupational Health and Industrial Safety Contest for TMK Group Entities
- Occupational health and safety (OHS) management system including internal instructions, rules and regulations developed in accordance with applicable laws

Organization:

The Technical Director is responsible for organizing activities and achieving occupational safety targets at TMK, with their KPIs including occupational health and industrial safety metrics. All of the Company's facilities have an OHS management system in place. Safety risks and working conditions have been assessed, and three-stage controls are in place.

Control:

Board of Directors, TMK's executive management, Technical Director jointly with facility management.

A number of targeted preventive activities have been run in 2019 to reduce injury rates:

- Ensuring safety during stacking pipe in racks
- Mandatory eye protection in industrial settings
- Prevention of hand injuries resulting from attempts to move or guide pipes
- Use of barriers and lockouts to prevent entry into areas with operating equipment across all TMK facilities
- Identification of causes of work-related accidents at TMK facilities and contractor organizations and taking appropriate measures
- Firefighting equipment serviceability checks in January and September 2019



TMK's participation in Steel Safety Day 2019

Participants	2017	2018	2019
TMK employees	35,343	35,518	35,962
Including safety auditors, %	32	81	81
Contractor employees	6,770	6,924	7,350

In line with tradition, all TMK production facilities as well as contractor employees took part in Steel Safety Day 2019. On April 28, the World Day for Safety and Health at Work, TMK summarized the results of activities held to mark Steel Safety Day 2019, and submitted them to the World Steel Association. A plan was put together to eliminate or mitigate identified risks. All of the plan's activities are running to schedule.

In 2019, almost all injury metrics improved, both at individual divisions and across the whole Group. Only the severity rate declined. At the same time, there were no emergencies or fatalities, and the Group-wide accident frequency rate reduced by 32.8%, with the total number of accidents decreasing and the lost workday rate improving by 20%.

Across TMK Group

Indicator	2017	2018	2019
Accidents	54	48	33
including fatalities	2	0	0
Frequency rate	1.52	1.37	0.92
Severity rate	59.8	42.9	54.3
Lost workday rate (LWR = FR x SR)	90.9	58.8	50.1

The calculations used the following formulas: FR = number of accidents x 1000/number of employees; SR = number of lost workdays/number of accidents.

Russian division

Indicator	2017	2018	2019
Accidents	30	20	16
including fatalities	0	0	0
Frequency rate	0.96	0.63	0.51
Severity rate	71.8	70.8	87.4
Lost workday rate (LWR = FR x SR)	68.9	44.6	44.5

European division

Indicator	2017	2018	2019
Accidents	7	3	2
including fatalities	2	0	0
Frequency rate	3.39	1.33	0.87
Severity rate	83.0	108.3	14.5
Lost workday rate (LWR = FR x SR)	7	144.0	12.6

American division

Indicator	2017	2018	2019
Accidents	17	25	15
including fatalities	0	0	0
Frequency rate (FR)	9.1	12.74	7.3
Severity rate (SR)	5.3	12.68	19.2
Lost workday rate (LWR = FR x SR)	48.2	161.65	140.2

Improvements in the European division were particularly significant, and this performance was driven by injury prevention activities. The division invested \$917,400 in safety initiatives in 2019, up 73% from a year ago.

Investment in safety initiatives at the Russian division also increased (by 5.9%) to \$9,721 thousand.

Both the number of lost workdays and the lost workday rate in 2019 were more or less unchanged year-on-year despite a lower number of accidents. The severity rate increased by 20%, which is attributed to longer sick leaves for injuries with similar severity as the Company pursues its policy of full employee recovery.

Learning best practices:

- Preparations for and participation in the Russia Health and Safety Week and Safety and Labor Protection (BIOT) international specialized exhibition
- Meetings with organizations specializing in occupational health and industrial safety, including to discuss the deployment of digital technology

- Improvement of health and safety laws through participation in expert groups of the Russian Union of Industrialists and Entrepreneurs (RSPP) under the governmental regulatory guillotine policy

Best practice adoption and digitization

Production facilities began deploying the Quasar pre-shift electronic medical checkup system and alcohol intoxication control system.

Incentives:

pursuant to the CEO’s directive “Regulations on the Occupational Health and Industrial Safety Contest for TMK Group Entities”, TMK holds a competition to select the organization with the best OHS performance, with TAGMET named the winner in 2019.

Employee participation in occupational health and industrial safety activities is covered by TMK’s corporate media.



RECOGNITION

TAGMET WAS AWARDED A SILVER MEDAL AND A DIPLOMA IN THE METHODOLOGY FOR THE CONTROL AND PROVISION OF SAFE WORKING CONDITIONS CATEGORY AT THE 5TH RUSSIA HEALTH AND SAFETY WEEK.

VOLZHISKY PIPE PLANT WON THE BEST SPECIALIST REGIONAL CONTEST OF OHS PROFESSIONALS.

SINARSKY PIPE PLANT RECEIVED A LETTER OF RECOGNITION FROM THE GOVERNOR OF THE SVERDLOVSK REGION DATED JULY 25, 2018, FOR WINNING A PRODUCTION CULTURE AND OCCUPATIONAL HEALTH AND SAFETY CONTEST HELD IN THE SVERDLOVSK REGION (IN 2018).

SEVERSKY PIPE PLANT WAS ALSO AMONG THE WINNERS AND RECEIVED A SIMILAR RECOGNITION LETTER FROM THE GOVERNOR OF THE SVERDLOVSK REGION.

TMK OILFIELD SERVICES WON A DIPLOMA OF THE WINNER OF THE REGIONAL BEST OHS PROFESSIONAL CONTEST.



2020 plans:

Update and codification of the Management Company’s internal OHS documents

Measures to improve safety and reduce risks for contractor employees

Digitization of occupational health and industrial safety services

Continued Medical Checkup System deployment at the Company facilities

ENVIRONMENTAL MANAGEMENT

NEW ENVIRONMENTAL POLICY OF TMK GROUP

Environmental expenditures totaled

\$37 million

11 of the Company's plants confirmed their compliance with ISO 14001:2015

Over **1,800** employees of the Company received environmental trainings and briefings

Volzhsky Pipe Plant and TAGMET named environmental leaders of Russia

Improved environmental performance indicators

Purpose:

minimize environmental footprint, preserve and improve the environment in the operating regions in the context of dynamically growing production.

Governing regulations:

- Environmental laws
- Environmental policy of the TMK Group https://www.tmk-group.com/media_en/texts/64/Ekologicheskaya_politika_en.pdf
- TMK Group's Environmental Policy Implementation Framework
- ISO 14001:2015 Environmental management systems

Organization:

TMK's Technical Director organizes environmental protection activities and

monitors performance against targets. The Chief Environmental Engineer is responsible for day-to-day management, planning and environmental reporting at the Group level. At the facility level, Technical Director/Chief Engineer are responsible for environmental protection. Actual environmental protection activities are carried out by specialized units – environmental services.

Control:

TMK's Board of Directors; supervisory bodies.

In 2019, TMK adopted a new Environmental policy and developed its Implementation Concept. These documents define our goals, priorities, environmental performance indicators, as well as implementation and monitoring mechanisms.

ENVIRONMENTAL PRIORITIES

• green technologies

In TMK, environmental targets are important considerations in product design and the selection of production technologies, sourcing raw materials and engaging production partners.

• green processes

The technologies and equipment integrated by TMK into its production processes enable the Group, among other things, to reduce its environmental footprint and resource consumption.

• green products

TMK is committed to ensuring the environmental safety of its products throughout their lifecycle, including disposal (recycling).

TMK'S 2019 ENVIRONMENTAL PERFORMANCE HIGHLIGHTS



ENVIRONMENTAL MANAGEMENT SYSTEMS

The Company continuously improves its environmental management system so that an objective assessment is made of potential environmental risks in the production operations, and the Group can install measures to prevent or minimize their negative impact.

In 2019, eleven of the Company plants passed supervisory audits to confirm the compliance of their certified environmental management system with ISO 14001:2015.

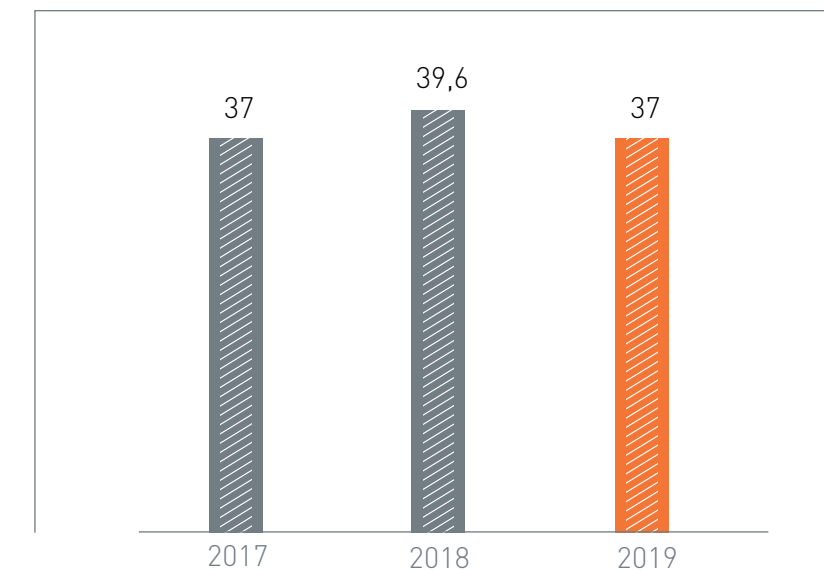


FINANCING ENVIRONMENTAL PROTECTION ACTIVITIES

TMK invests significantly in environmental protection and stewardship every year, with environmental expenditures in 2019 totaling approximately \$37 million.

ENVIRONMENTAL PROJECTS ARE AN ESSENTIAL COMPONENT OF THE COMPANY'S DEVELOPMENT PROGRAMMES, INCLUDING OUR CURRENT STRATEGIC INVESTMENT PROGRAM.

TMK's total environmental expenditures, \$ million



THE COMPANY'S ENVIRONMENTAL INVESTMENTS OVER THE LAST FIVE YEARS TOTALED OVER

\$30

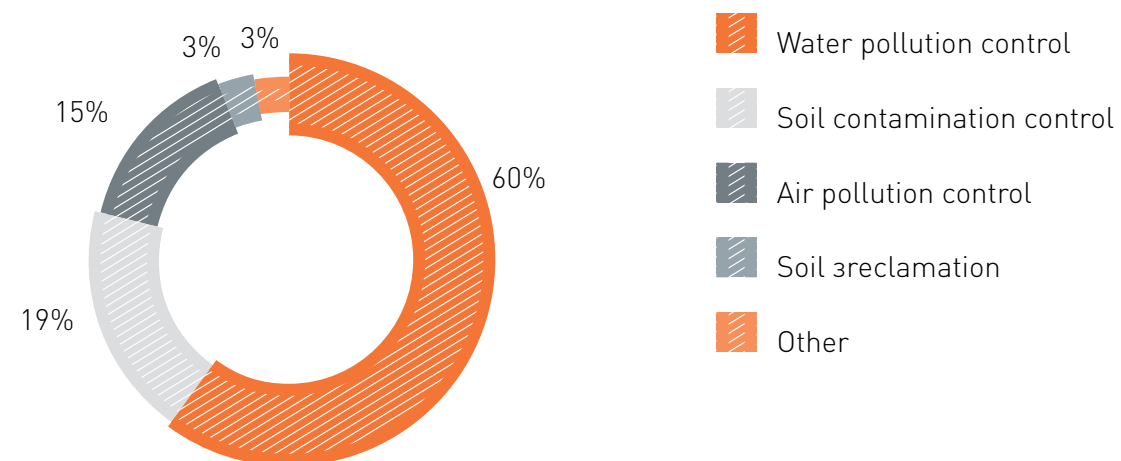
million, including approximately \$6.5 million in 2019

A total of

23

capex projects were completed during the year with the main focus on **sustainable water consumption and minimizing impact on water bodies**

TMK's environmental expenditures in 2019



Key capex projects in 2019

- SEVERSKY PIPE PLANT:
 - Completed construction of local water reuse treatment facilities for a heat treatment facility, which will help reuse up to 20 million m³ of treated water
 - Upgrade of the gas treatment unit of Lime Kiln No. 1 is underway
- VOLZHSKY PIPE PLANT:
 - Completed construction of a mechanical draft cooling tower out of prefabricated parts
 - Cell No. 2 of the industrial waste landfill covered; completed construction of cell No. 9 for waste of hazard classes 4 and 5
- SINARSKY PIPE PLANT COMPLETED construction of a cooling tower for reusable water and reduced discharge of solids and petroleum products
- TAGMET completed installation and commissioned dust control and gas cleaning units at the ferro-alloy and lumps preparation facility
- ARTROM upgraded a neutralization station



KEY ASPECTS OF TMK'S ENVIRONMENTAL ACTIVITIES

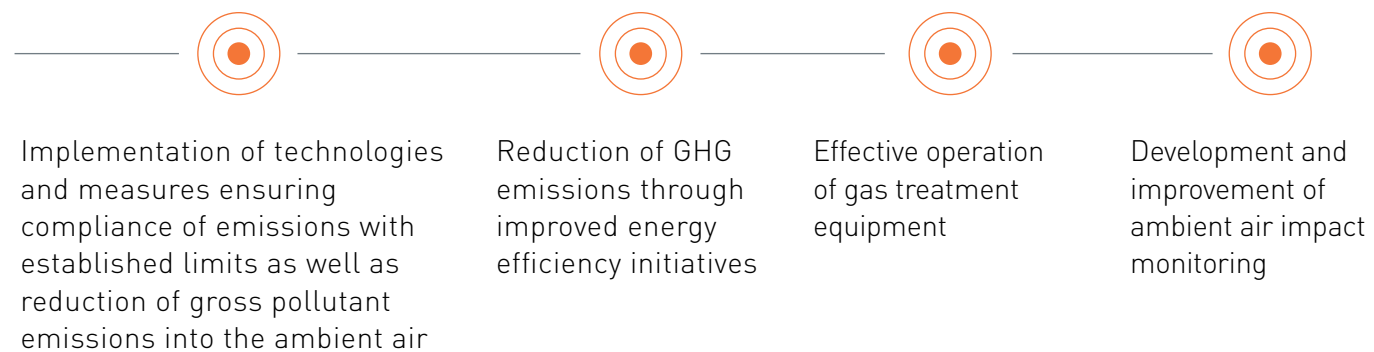
AMBIENT AIR PROTECTION

TMK's facilities comply with the legislation covering air emissions inventory, regulation, and control, as well as operations in adverse weather conditions. Our emissions control activities ensure compliance with the prescribed air emissions limits.

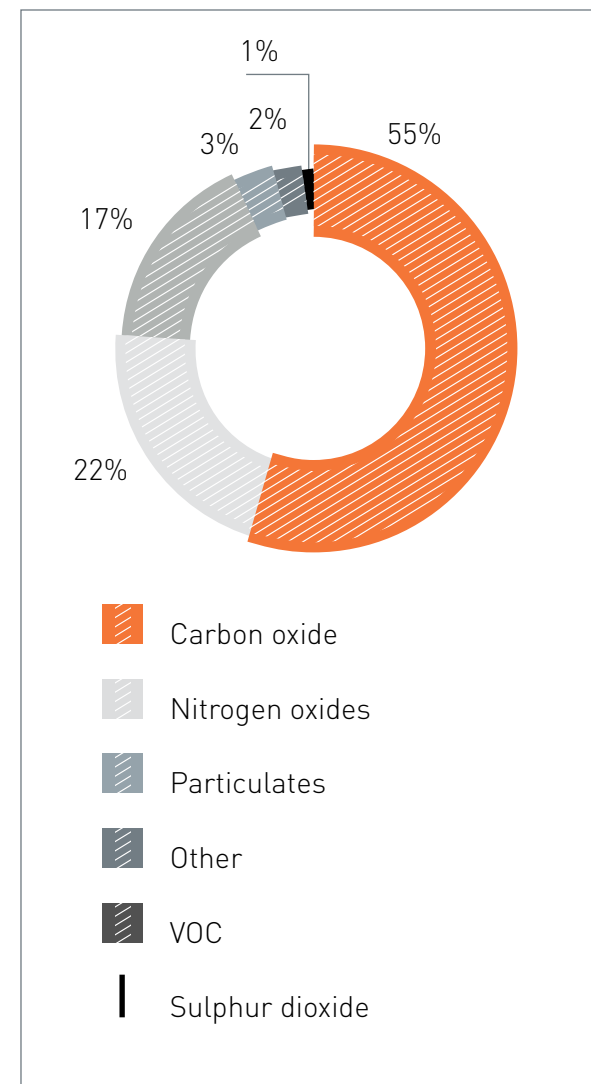
Focus:
continuous air quality improvement in production hosting areas.

TMK consistently reduces pollutant emissions into the ambient air, with total emissions cut by 22% over the last 5 years. In 2019, total emissions went down by 4% to 10,500 tonnes.

AMBIENT AIR PROTECTION TARGETS



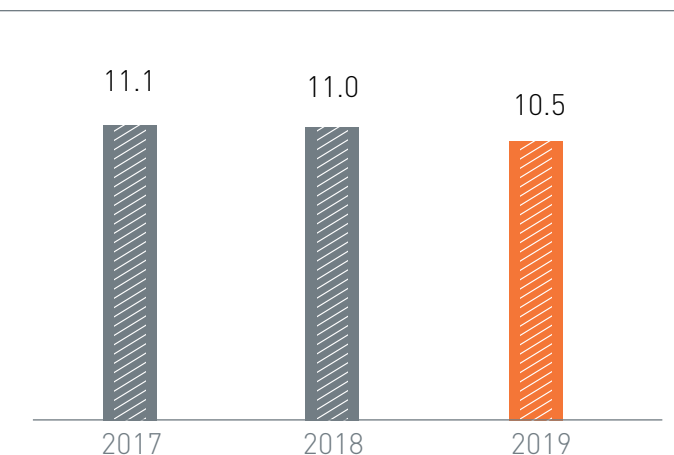
Emission pollutants



Carbon oxide from fuel combustion in production processes accounts for the largest part of emissions (55%). In the reporting period, the Company complied with emission standards without any emergency or peak emissions.

In order to reduce pollutant emissions into the ambient air, the Company took measures to improve gas cleaning performance, control emissions in adverse weather conditions, as well as contain, redirect, and clean dust and gas flows. TMK's air pollution control expenditures totaled \$4 million in 2019.

Total pollutant emissions by TMK, thousand tonnes



CLIMATE RESPONSIBILITY

Focus:

support Russian and international initiatives to prevent climate change.

TMK considers carbon footprint when defining its development strategy, with the carbon agenda incorporated into risk management and business processes.

GHG emissions are calculated on an annual basis. GHG emissions in the Russian division are calculated in accordance with the Methodology Recommendations and Guidelines for Quantitative Determination of Greenhouse Gas Emissions from Organizations Conducting Economic and Other Activities in the Russian Federation approved by Order No. 300 of the Ministry of Natural Resources and Environment of

the Russian Federation dated June 30, 2015.

The European division entities comply with local carbon laws and submit GHG emission verification reports and monitoring plans to supervisory bodies in due time.

TMK is implementing a **Programme to Improve Energy Efficiency and Fuel and Energy Saving**, optimizing operations and improving process solutions. As a result, total tonnes of GHG emissions decreased by 4% year-on-year in 2019. **Direct GHG emissions totaled 1.296 mln tonnes of CO₂ equivalent.**



PROTECTION AND SUSTAINABLE USE OF WATER

Focus:

reduce water consumption and negative impact on water bodies.

Subject to permits, TMK's facilities abstract water from surface and underground sources to supply water for production, general and drinking, and process use, and public needs.

Water reuse or recycling is a mandatory requirement for commissioning any of TMK's new, upgraded or revamped facilities.

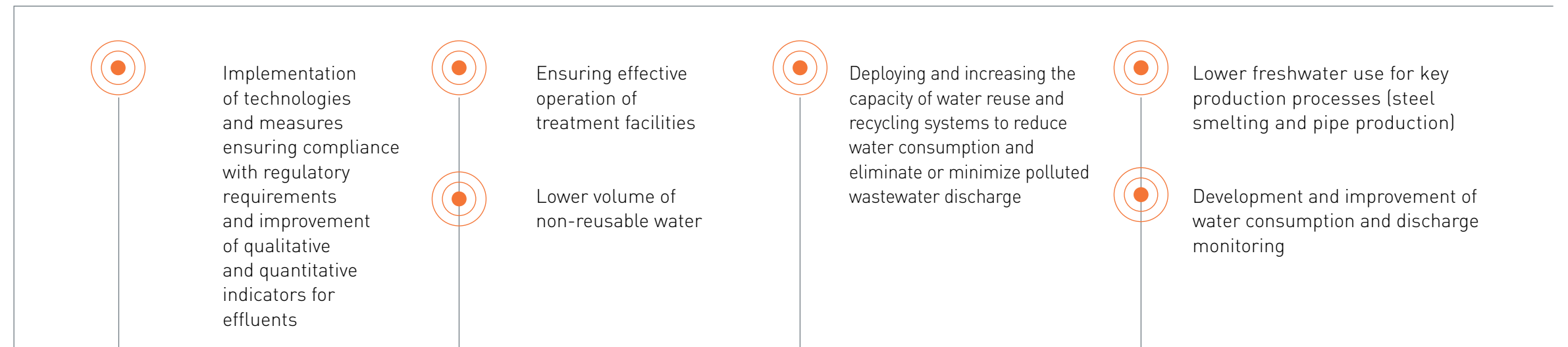
In 2019, the volume of recycled or reused water totaled 502 million m³. **Percentage of water recycled and reused by TMK's Russian plants stood at 95.7%.** The high percentage of reused and recycled water reduces water withdrawal and wastewater discharge.

Percentage of water recycled and reused by TMK's Russian plants stood at

95.7%



TARGETS FOR THE PROTECTION OF WATER BODIES AND THE SUSTAINABLE USE OF WATER



Key initiatives implemented in 2019 to mitigate impact on water bodies: building and upgrading treatment facilities; organizational measures to prevent spills, leaks, and unsustainable use of water; enhancing water recycling and reuse systems. **TMK spent \$17.8 million on sustainable water use and water pollution control in 2019.**

Progress vs. 2018:

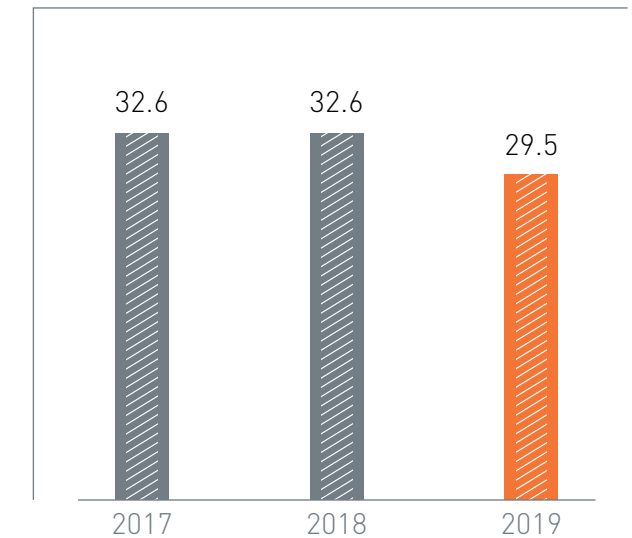
- 4% decrease in total water consumption
- 5% reduction in water consumption in production
- 3% reduction in wastewater discharge to natural water bodies

The success of our sustainable water use efforts is demonstrated by the positive changes in TMK Group's water consumption.

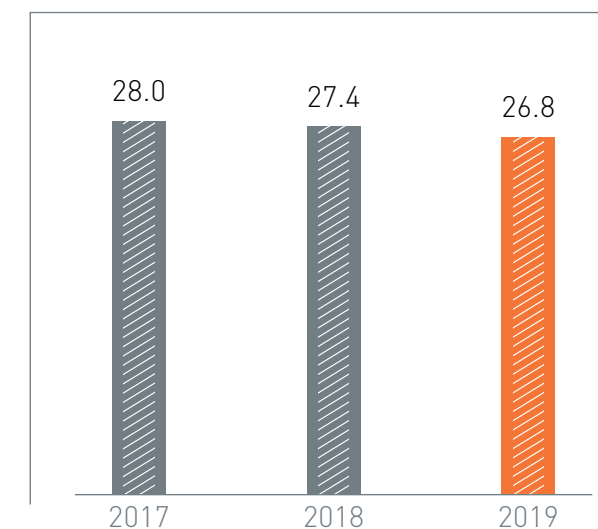


4%
decrease in total water consumption

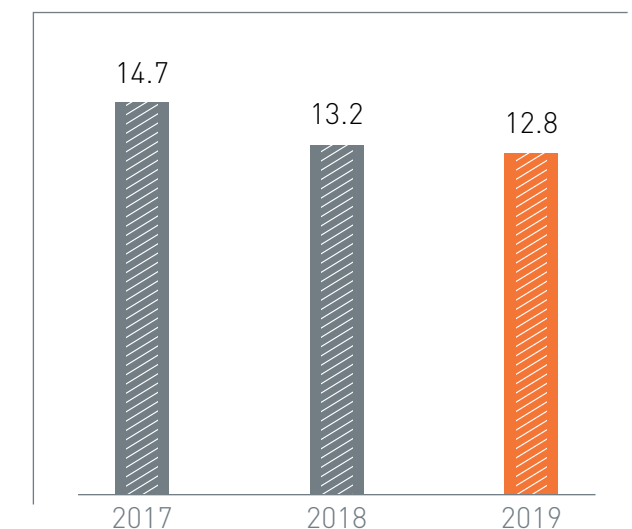
TMK's total water consumption, million m³



TMK's total wastewater, million m³



TMK's water discharge into surface water bodies, million m³



WASTE MANAGEMENT

Focus: prevent land contamination by reducing waste generation and minimizing waste disposal into the environment.

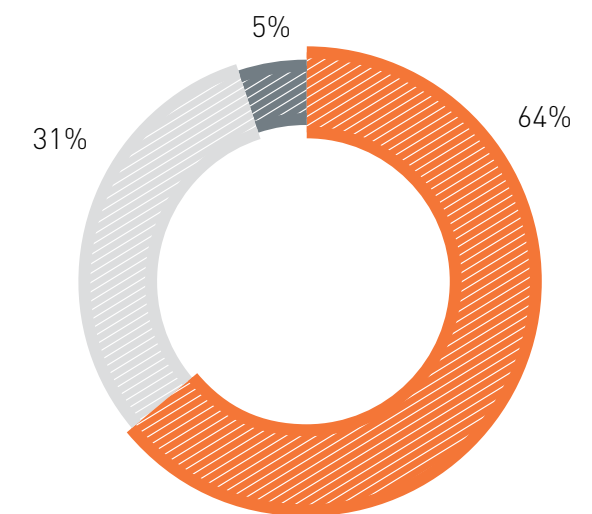
TMK's environmental programmes aimed at increasing waste recycling and reducing waste landfilling achieved good results: **93% of total waste generated by production processes** (621,000 tonnes in 2019) **are used, treated, or processed.**

Key results of TMK's consistent environmental activities in 2019:

- Total waste decreased by 9%
- Internal waste processing increased by 4%
- 64% of total waste treated and used internally and 5% disposed of at our own designated facilities – an excellent waste management performance
- 31% of total waste turned over to licensed specialist contractors

Waste is managed in accordance with approved instructions and corporate standards. Our waste disposal and temporary storage sites are subject to industrial environmental monitoring. **In 2019, we spent \$6.4 million on efforts to minimize the impacts of our waste on the environment,** including approximately \$1 million on land protection (disturbed land rehabilitation, etc.).

Waste disposal methods in 2019



- Treated and used internally
- Transferred to specialist contractors
- Disposed of at our own facilities

WASTE MANAGEMENT TARGETS



Effective industrial waste collection and disposal management



Implementation of methods and technologies for waste processing and disposal; use of waste as raw material in own production process and production in other industries



Waste recycling wherever possible and economically feasible

ENVIRONMENTAL AND INDUSTRIAL MONITORING

Focus:
continuous monitoring
of environmental
impacts.

Our plants are continuously monitoring the areas affected by their production facilities for environmental impact, leveraging a high-performance industrial environmental monitoring system. All of the Russian division's plants have certified chemical laboratories equipped with all necessary state-of-the-art equipment. In accordance with accreditation requirements, our laboratories participate in interlaboratory comparisons for experimental confirmation of their proficiency.

Monitoring targets:

- Non-fugitive emissions
- Ambient air quality on the buffer zone boundary
- Physical impact levels (noise pollution)
- Surface, ground and wastewater quality
- Soil condition



ENVIRONMENTAL EDUCATION AND TRAINING

Focus:

high level of environmental responsibility and competence of staff, personal contribution to environmental management system performance.

Main areas for personnel training:

- Environmental management system
- Environmental safety
- Handling waste of hazard categories 1 to 5

Those TMK employees who are interested in the basics of environmental legislation and the environmental aspects of TMK Group's operations have the option of studying the Ecology for Nonecologists course in TMK's Corporate University TMK2U.

Company experts actively participate in environmental workshops, conferences and other events held by government bodies or non-governmental organizations.

The Company's facilities also provide environmental safety briefings to its contractors.

TMK also runs environmental initiatives, tours, open lessons and lectures for school and university students to improve environmental awareness in its operating regions.



PUBLIC RECOGNITION

IN 2019, VOLZHSKY PIPE PLANT AND TAGMET WON THE AWARD OF THE 15TH RUSSIAN CONTEST ENVIRONMENT LEADER OF RUSSIA 2019 IN THE BEST ENVIRONMENTALLY RESPONSIBLE STEEL COMPANY CATEGORY.

SPONSORSHIP AND PHILANTHROPY

Purpose:

create positive social change in the regions hosting our plants.

Governing regulations:

- UN Sustainable Development Goals
- Code of Ethics: https://www.tmk-group.com/media_en/files/386/Code_of_Ethics_TMK_Group1.pdf
- Regulations on the TMK Charity Policy (Endowments, Donations): https://www.tmk-group.ru/media_ru/files/861/Polozhenie_TMK_o_pozhertvovaniyah.pdf

Organization:

TMK runs most of its charity projects via a professional operator – the Sinara Charity Foundation, established in 2001, and directly via the Company's plants in its operating regions.

Priority areas of TMK's charitable efforts:

- Education
- Culture
- Sports
- Healthcare

Initiatives supported by TMK and the Sinara Charity Foundation in 2019:

- Financial support provided to 103 non-profit organizations, including 27 through various grant competitions
- The Urals Industrial Biennale of Contemporary Art: a grant programme to support young artists in the Urals region
- The 8th Demidov International Contest for Young Violinists DeMUKS (Yekaterinburg, Russia)
- TochkaOpory (Foothold), a corporate career advising project spanning the Sverdlovsk, Rostov, Volgograd, Ulyanovsk, Kurgan and Oryol Regions. This project was included in the Top 100 Russian projects supported by the Presidential Grants

Foundation. In 2019, over 4,000 high-school students from 100 schools attended the project events. More than 1,200 events were held (tours, "live lessons", TV shows dedicated to basic trades, training sessions for teachers, etc.). In the six years since the project was launched, a total of 71 classrooms in the winning schools have been equipped for industry-related programmes

- The Rostochek (Little Sprout) programme to support pre-school institutions: we supplied specialized laundering equipment to pre-school institutions in the Sverdlovsk, Rostov and Volgograd Regions
- The Painless Children's Hospital project aimed at supplying medical equipment for, and promoting the practice of, the latest innovative low-invasive surgery methods, and providing children with a comfortable environment to minimize their stress as they undergo medical treatment
- The Making a World Suitable for Children project, implemented jointly with Sinarsky Pipe Plant.

A new fitness and playground area for children and adults was opened in the plant's public park in 2019. The existing fitness areas were renovated

- The Managers League, a new project sponsored by the Sinara Charity Foundation and launched jointly with the administration of Polevskoy municipality and Seversky Pipe Plant in 2019 to identify talented managers and engage them in social projects implemented in Polevskoy. More than 100 entrants from several cities of Russia sent their applications

- Yekaterinburg's Nutcracker Ballet Theater and the Yekaterinburg Puppet Theater staged charity performances in Kamensk-Uralsky and Polevskoy, bringing unique entertainment to children from orphanages, and children from large families and families of the pipe plant employees

TMK plant employees take active part in the Corporate Citizenship project by donating blood and plasma to children.



In 2019, TMK's volunteers:

- Organized celebrations for children deprived of parental care on the Children's Protection Day and New Year's Eve
- Participated in the #GivingTuesday international initiative by providing support to senior citizens in difficult life situations and retired employees of TMK plants
- Took part in various blood donation campaigns and other projects to help little patients and children deprived of parental care

All TMK entities in Russia run regular long-term charitable activities and campaigns:

- TAGMET has traditionally participated in the nation-wide Pod Flagom Dobra (In the Name of Kindness) charitable campaign to raise funds for children who need expensive treatment, and also supported youth social initiatives through the Idei v Zhizn (Turning Ideas Into Reality) contest

- Volzhsky Pipe Plant helps educational and children's institutions, provides assistance to veterans of the Great Patriotic War (WWII), implements socially significant sports, inclusive and environmental projects

- Sinarsky Pipe Plant regularly holds events to promote physical and creative development of young people

- Seversky Pipe Plant focuses on developing educational programs, career advising initiatives, and improving the infrastructure of educational institutions in Polevskoy

- Orsky Machine Building Plant supported the participation of technical college students in the regional competition Young Professionals 2019 (WorldSkills Russia). The plant employees donated gifts to disadvantaged families with first-graders

We also support amateur teams representing TMK entities in various sports competitions, including in children's, youth, and adult sports.



PUBLIC RECOGNITION

WITH THE 23TH-24TH SINARA CHARITY FOUNDATION GRANT COMPETITION, PAO TMK WAS RANKED THIRD IN THE BEST PROGRAMME PROMOTING SUSTAINABILITY VIA GRANT COMPETITIONS (BEST GRANT COMPETITION) CATEGORY OF THE CORPORATE PHILANTHROPY LEADERS 2019 CONTEST, ORGANIZED BY DONORS FORUM, AN ASSOCIATION OF MAJOR GRANTMAKING ORGANIZATIONS
<https://www.donorsforum.ru/projects/lkb/itogi-proekta-2019/>

IN 2019, THE TOCHKAOPORY (FOOTHOLD) CORPORATE CAREER ADVISING PROJECT JOINED THE TOP 100 SOCIALLY SIGNIFICANT PROGRAMS RANKING COMPLIED BY THE PRESIDENTIAL GRANTS FOUNDATION. THE PROJECT RECEIVED A GRANT FROM THE FOUNDATION IN 2017 AND WAS SUCCESSFULLY IMPLEMENTED IN 2018.
<https://xn--n1ach.xn--80af5akm8c.xn--p1ai/project?id=90>

ENERGY CONSUMPTION AND EFFICIENCY

Energy consumption by PAO TMK and its Russian division subsidiaries* in 2017–2019

Type of energy source	Unit of measurement	Consumption by volume	Consumption by value (thousand \$)	Consumption by volume	Consumption by value (thousand \$)	Consumption by volume	Consumption by value (thousand \$)
		2017		2018		2019	
Natural gas***	thousand m ³	691,306	51,935	708,792	50,846	678,921	48,832
Electricity	thousand kWh	3,094,721	152,900	3,224,373	153,165	3,163,834	159,120
Heat	Gcal	1,069,862	23,782	1,151,430	25,039	1,057,317	23,554
Gasoline	tonnes	252	183	202	155	241	191
Diesel fuel	tonnes	3,664	2,317	3,089	2,175	3,605	2,553
Fuel oil**	tonnes	21	3.29	2	0.27	695**	93
Total			231,121		231,381		234,344

* Following the sale of 100% of the shares of IPSCO Tubulars Inc. on January 2, 2020, for the purposes of consolidation TMK Group comprises plants in Russia, Romania and Kazakhstan as well as subsidiaries within the Russian and European divisions.

The table compares changes in energy consumption by the Russian division's plants and subsidiaries.

** The increase in fuel oil consumption in 2019 (used as a backup fuel mainly at PJSC Seversky Pipe Plant and JSC Sinarskaya Heat and Power Plant) is due to a scheduled gas shutdown for network maintenance in July 2019 by LLC Gazprom Transgaz Yekaterinburg, as well as third-party urban gas pipeline accident mitigation in October 2019.

*** Gas and fuel oil consumption includes consumption for heat generation for external consumers (at JSC Sinarskaya Heat and Power Plant and PJSC Seversky Pipe Plant).

BY THE WAY

An environmental project completed by Volzhsky Pipe Plant has reduced the concentrations of steelmaking slag processing dust by 95%. A slag pit sprinkling system was installed in the slag processing area of the plant's electric arc furnace shop, and a protective 4-meter fence was installed around the area.

All TMK plants are certified to ISO 50001:2011 international standard.

TMK plants implemented a number of initiatives in 2019 to reduce energy consumption and improve energy efficiency. Selected projects include:

VOLZHSKY PIPE PLANT:

- Power consumption was reduced through upgrades to lighting systems and optimized lighting modes at business units
- Optimizing the schedule of operation for the electric arc furnace (EAF)

TAGMET:

- Power consumption was lowered by reducing the uptime of the main motors in the EAF's gas treatment system by 11 hours during preventive maintenance

SEVERSKY PIPE PLANT:

- Nitrogen gas compressors to boost low-pressure nitrogen to a higher pressure were installed at the power shop

ORSKY MACHINE BUILDING PLANT:

- Electric water heaters were replaced by gas heaters in the galvanizing area of the gas cylinder production facility

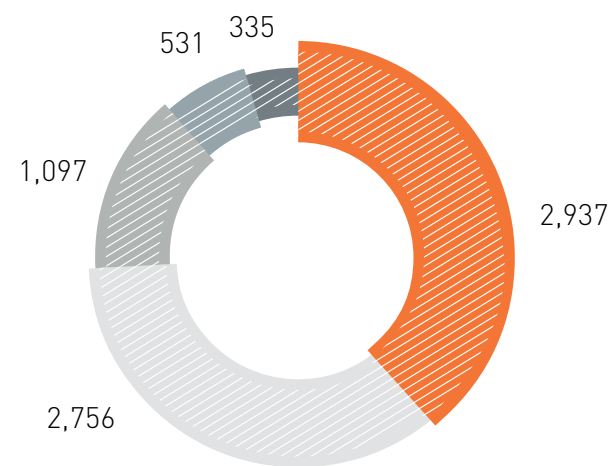
BY THE WAY

In December 2019, Taganrog Metallurgical Works won the All-Russia Best Practices in Industrial Mentorship Contest, with 135 entries submitted from across 39 regions of the Russian Federation. Just nine companies received the contest awards, with Taganrog Metallurgical Works named the winner.

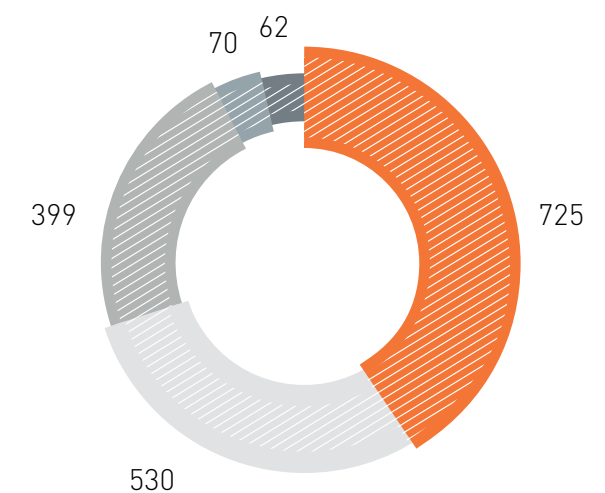
The energy savings achieved through measures implemented in 2018 totaled \$1.8 million in 2019, or 7,656 tonnes of oil equivalent.

The Company invested \$2.9 million in energy efficiency in 2019.

Energy savings at TMK plants in 2019, toe



Energy savings at TMK plants in 2019, thousand \$



■ Volzhsky Pipe Plant
 ■ TAGMET
 ■ Seversky Pipe Plant
 ■ Sinarsky Pipe Plant
 ■ Orsky Machine Building Plant

APPENDICES



CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

IN ACCORDANCE WITH RECOMMENDATIONS OF THE BANK OF RUSSIA (LETTER NO. IN-06-52/8 DATED FEBRUARY 17, 2016)

This Corporate Governance Code Compliance Report was discussed by the Board of Directors of Public Joint Stock Company Trubnaya Metallurgicheskaya Kompaniya (PAO TMK) at the meeting dated April, 23 2020, Minutes No. 20 dated April 24, 2020.

The Board of Directors certifies that all data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2019.

The statement of PAO TMK's Board of Directors on compliance with the corporate governance principles set out in the Corporate Governance Code is provided on page 58 of this Annual Report.

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1	The company ensures equal and fair treatment of all shareholders in exercising their corporate governance right.			
1.1.1	The company ensures the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered.	<ol style="list-style-type: none"> The company's internal document approved by the general meeting of shareholders governing the procedures to hold general meetings of shareholders is publicly available. The company provides accessible means of communication with the company, such as a hotline, email or online forum, to enable shareholders to express their opinions and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting.	<ol style="list-style-type: none"> The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting. The notice of an upcoming meeting specifies the meeting venue and the documents required for admission. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company's board of directors and revision committee. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.3	In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company's executive bodies and the board of directors, and to communicate with each other.	<ol style="list-style-type: none"> In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of and during the annual general meeting. The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting of shareholders. The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, for all general meetings held in the reporting period. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies, and to make proposals for the agenda of the general meeting.	<ol style="list-style-type: none"> In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year. In the reporting period, the company did not reject any proposals for the agenda or nominees to the company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.5	Each shareholder was able to freely exercise his/her voting right in the simplest and most convenient way.	An internal document (internal policy) of the company contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled out by them and certified by the counting commission.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.	<ol style="list-style-type: none"> During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items. Nominees to the company's governing and control bodies were available to answer shareholders' questions at the meeting at which their nominations were put to vote. When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	Additional clarifications on paragraph 3. In 2019, the Company provided shareholders with remote access to general meetings through teleconferencing.
1.2	Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends.			
1.2.1	The company has developed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	<ol style="list-style-type: none"> The company has drafted and disclosed a dividend policy approved by the board of directors. If the company's dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.2.2	The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company's performance.	The company's dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.2.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.2.4	The company makes every effort to prevent its shareholders profiting from the company through any means other than dividends and liquidation value.	To prevent its shareholders profiting from the company through any means other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve deals with affiliates (associates) of the company's significant shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognize such deals as interested party transactions.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.3	The corporate governance framework and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.			
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	In the reporting period, procedures for managing potential conflicts of interest among significant shareholders were efficient, while the board of directors paid due attention to conflicts, if any, between shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	No quasi-treasury shares were issued or used to vote in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
1.4	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.			
1.4.1	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	The company's registrar maintains the securities register in an efficient and reliable way that meets the needs of the company and its shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1	The board of directors carries out the strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company's executive bodies, and performs other key functions.			
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including due to improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	<p>1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.</p> <p>2. The board of directors reviewed the report(s) by the sole executive body or members of the collegial executive body on the implementation of the company's strategy.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.2	The board of directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company's financial and business plan (budget), as well as criteria and performance (including interim) of the company's strategy and business plans.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.3	The board of directors determines the company's principles of, and approaches to, setting up a risk management and internal control system.	<p>The board of directors determines the company's principles of, and approaches to, setting up a risk management and internal control system.</p> <p>The board of directors assessed the company's risk management and internal control system in the reporting period.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.4	The board of directors determines the company's policy on remuneration payable to, and/or reimbursement (compensation) of costs incurred by, directors, executive bodies and other key executives of the company.	<p>1. The company has developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for directors, executive bodies and other key executives.</p> <p>2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.5	The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company's bodies, shareholders, and employees.	1.The board of directors plays a key role in preventing, identifying, and resolving internal conflicts. 2.The company has set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.6	The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company's documents.	1. The board of directors approved the company's regulations on the information policy. 2. The company designated persons responsible for implementing the information policy.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in its significant corporate events.	In the reporting period, the board of directors reviewed the company's corporate governance practices.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.2	The board of directors is accountable to the company's shareholders.			
2.2.1	Performance of the board of directors is disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report contains key results of the board of directors' performance assessment in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders.	The company has in place a transparent procedure enabling its shareholders to forward questions and express their positions on such questions to the chairman of the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3	The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons of impeccable business and personal reputation who have the knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to performing its functions in an efficient way are elected to the board of directors.	1. The procedure for assessing the board of directors' performance established in the company includes, inter alia, assessment of directors' professional qualifications. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.2	The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	Whenever throughout the reporting period the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102-107 of the Code, as well as the nominees' written consent to be elected to the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.3	The board of directors has a balanced membership, including in terms of directors' qualifications, experience, expertise and business skills, and has the trust of shareholders.	As part of the board of directors' performance assessment run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.3.4	The company has a sufficient number of directors to organize the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	As part of the board of directors' performance assessment run in the reporting period, the board of directors considered whether the number of directors met the company's needs and shareholders' interests.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4	The board of directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop his/her own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders, or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its significant shareholder, significant counterparty or competitor, or is related to the government, may not be considered as independent under normal circumstances.	In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code or were deemed independent by resolution of the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	<p>1. In the reporting period, the board of directors (or its nomination committee) made a judgement on the independence of each nominee to the board of directors and provided its opinion to shareholders.</p> <p>2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of incumbent directors listed by the company as independent directors in its annual report.</p> <p>3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.3	Independent directors make up at least one third of elected directors.	Independent directors make up at least one third of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	Independent directors (who do not have a conflict of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.5 The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.				
2.5.1	The board of directors is chaired by an independent director, or a senior independent director is chosen from among the elected independent directors to coordinate the activities of independent directors and enable the interaction with the chairman of the board of directors.	<ol style="list-style-type: none"> The board of directors is chaired by an independent director, or a senior independent director is chosen from among the independent directors. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents. 	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>The Chairman of PAO TMK's Board of Directors is a non-executive director. The Company believes that this inconsistency with the Code's recommendations is favorable for the Company since the Chairman is also the Company's ultimate beneficiary.</p> <p>The Company is aware that election of a senior independent director is good international practice; however, international practice is largely based on a diffused ownership model, which is not typical of TMK.</p> <p>The Board of Directors considers the existing governance framework to be efficient; the members of the Board of Directors actively participate in meetings discussing all agenda items.</p> <p>Potential risks arising from non-compliance with this recommendation of the Code are mitigated through the practice of electing to the Board of Directors a sufficient number of independent directors (five directors out of eleven) with an impeccable reputation in the investment and business community.</p> <p>When considering its composition in the reporting year, the Board of Directors assumed that there was no need to elect a senior independent director since independent directors are included in the Board of Directors and each independent director is free to express his/her opinion and vote on agenda items.</p> <p>2. Full compliance.</p>
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	Performance of the chairman of the board of directors was assessed as part of the board of directors' performance assessment in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.5.3	The chairman of the board of directors takes all steps necessary for the timely provision to directors of information required to pass resolutions on agenda items.	The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials regarding items on the agenda of a board meeting.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6 Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence.				
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks.	<ol style="list-style-type: none"> The company's internal documents stipulate that a director should notify the board of directors of any existing conflict of interest as to any agenda item of a meeting of the board of directors or its committee, prior to discussing the relevant agenda item. The company's internal documents stipulate that a director should abstain from voting on any item in connection with which he/she has a conflict of interest. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.2	The rights and duties of directors are clearly stated and incorporated in the company's internal documents.	The company has adopted and published an internal document that clearly defines the rights and duties of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6.3	Directors have sufficient time to perform their duties.	1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period. 2. In accordance with the company's internal documents, directors should notify the board of directors of their intentions to be elected to governing bodies of other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.6.4	All directors have equal access to the company's documents and information. Newly elected members of the board of directors are furnished with sufficient information about the company and the board of directors' performance as soon as possible.	1. In accordance with the company's internal documents, directors are entitled to access documents and make queries regarding on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents. 2. The company has in place a formalized induction program for newly elected members of the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7	Meetings of the board of directors, preparation for such meetings and participation of members of the board of directors ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	The board of directors held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7.2	The company's internal regulations formalize a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to properly prepare for such meetings.	The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.	The company's articles of association or internal document provide for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at meetings of the board of directors held in person.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.7.4	Resolutions on most important matters relating to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.	The company's articles of association provide for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8	The board of directors sets up committees for preliminary consideration of the most important matters related to the company's operations.			
2.8.1	An audit committee comprised of independent directors was set up to preview matters related to controlling the company's financial and business activities.	<ol style="list-style-type: none"> 1. The board of directors set up an audit committee comprised solely of independent directors. 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code. 3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing, and auditing accounting (financial) statements. 4. In the reporting period, meetings of the audit committee were held at least once a quarter. 	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>1. Along with independent directors, the Audit Committee includes one non-executive director. The Chairman of the Audit Committee is an independent director. The Board of Directors discussed exclusive Committee membership of independent directors and acknowledged the Company's practice to be justified since it strikes the optimal balance of directors' roles and ensures sufficient time to perform their duties, as well as provides for the membership of directors whose qualifications and experience allow to make professional judgements on industry trends and the Company's operations. All Committee members <u>comply with the recommendations of the Russian Corporate Governance Code for competencies in reporting review and assessment</u>. The Board of Directors also pays attention to regular re-election of Committees, the age balance of their members, and ensuring continuity of their functions.</p> <p>2-4. Full compliance.</p>
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<ol style="list-style-type: none"> 1. The board of directors set up a remuneration committee comprised solely of independent directors. 2. The remuneration committee is headed by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code. 	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>1. The Nomination and Remuneration Committee combines the functions of a remuneration committee and a nomination (HR, appointments) committee. The Chairman of the Committee is an independent director. Along with independent directors, the Committee includes one non-executive director. The reasons for such inconsistency with the Code's recommendation set out in paragraph 2.8.2, subparagraph 1, are stated in the note to paragraph 2.8.1.</p> <p>2-3. Full compliance.</p>
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments, HR) committee was set up, predominantly comprised of independent directors.	<ol style="list-style-type: none"> 1. The board of directors set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee <4> predominantly comprised of independent directors. 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	In the reporting period, the company's board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.8.6	Committee chairmen inform the board of directors and its chairman on the performance of their committees on a regular basis.	In the reporting period, committee chairmen reported to the board of directors on the performance of committees on a regular basis.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.9	The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors.			
2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual directors and the board of directors in general. 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the meeting of the board of directors held in person.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
2.9.2	Performance of the board of directors, its committees and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
3.1	The company's corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the company's efforts to protect shareholder rights and interests and support efficient performance of the board of directors.			
3.1.1	The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The company has adopted and published an internal document – regulations on the corporate secretary. 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1	Remuneration payable by the company is sufficient to attract, motivate and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies and other key executives of the company is in compliance with the approved remuneration policy of the company.			
4.1.1	The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.	The company has in place an internal document (internal documents) – the policy (policies) on remuneration of directors, executive bodies and other key executives, which clearly defines the approaches to remuneration of the above persons.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	In the reporting period, the remuneration committee considered the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key executives of the company, and regulates all types of expenses, benefits and privileges provided to such persons.	The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key executives of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.1.4	The company determines a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies and other key executives of the company may claim. Such policy can make part of the company's remuneration policy.	The remuneration policies (policy) or other internal documents of the company define (defines) the rules for reimbursement of expenses incurred by directors, executive bodies and other key executives of the company.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2	Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of shareholders.			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for its directors.	Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2.2	Long-term ownership of the company shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3	The company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of executive bodies and other key executives of the company.			
4.3.1	Remuneration due to members of executive bodies and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<p>1. In the reporting period, annual performance targets approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company.</p> <p>2. During the latest assessment of the remuneration system for members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration.</p> <p>3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
4.3.2	The company has in place a long-term incentive programme for members of executive bodies and other key executives of the company with the use of company shares (options and other derivative instruments where company shares are the underlying asset).	<p>1. The company has in place a long-term incentive programme for members of executive bodies and other key executives of the company with the use of company shares (financial instruments based on company shares).</p> <p>2. The long-term incentive programme for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	In 2018, the Board of Directors approved the Long-Term Top Management Incentive Programme.
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed part of their annual remuneration.	In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1	The company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.			
5.1.1	The company's board of directors determined the principles of, and approaches to, setting up a risk management and internal control system at the company.	Functions of different governing bodies and business units of the company in the risk management and internal control system are clearly defined in the company's internal documents/relevant policy approved by the board of directors.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.2	The company's executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the company.	The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of business units and departments accountable to them.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.3	The company's risk management and internal control system ensures an objective, fair and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	<p>1. The company has in place an approved anti-corruption policy.</p> <p>2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures and code of ethics.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its setup and efficient functioning determined by the board of directors.	In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's risk management and internal control system. Key results of this assessment are included in the company's annual report.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.2	The company performs internal audits for regular independent assessment of the reliability and efficiency of its risk management and internal control system, as well as corporate governance practice.			
5.2.1	The company has set up a separate business unit or engaged an independent external organization to carry out internal audits. Functional and administrative reporting lines of the internal audit unit are delineated. The internal audit unit functionally reports to the board of directors.	To perform internal audits, the company has set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the audit committee, or engaged an independent external organization with the same line of reporting.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
5.2.2	The internal audit division assesses the performance of the internal control system, risk management system and corporate governance framework. The company applies generally accepted standards of internal audit.	1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure. 2. The company applies generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.1	The company and its operations are transparent for its shareholders, investors and other stakeholders.			
6.1.1	The company has developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. The board of directors (or one of its committees) considered the matters related to the company's compliance with its information policy at least once in the reporting period.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	The revised Information Policy of the Company was approved in 2018 and is fully in line with the Code's recommendations.
6.1.2	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The company discloses information on its corporate governance system and general principles of corporate governance, including disclosure on its website. 2. The company discloses information on the composition of its executive bodies and board of directors, independence of directors and their membership in the board of directors' committees (as defined by the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	1–2. Full compliance. 3. The information on the ultimate beneficiary, the Company's controlling person, is disclosed on the corporate website in quarterly issuer reports and in this Annual Report. The Company's controlling person is simultaneously the Chairman of the Board of Directors; his plans for the most significant aspects of the Company's corporate governance are reflected in internal documents and in other information (including material facts on decisions made by governing bodies) disclosed on the Company's website.
6.2	The company makes timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data.	1. The company's information policy sets out the approaches to, and criteria for, identifying information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information. 2. If company securities are traded on foreign organized markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year. 3. If foreign shareholders hold a material portion of the company shares, the relevant information was disclosed in the reporting period both in the Russian language and one of the most widely used foreign languages.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.	In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor's report. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	The Company adheres to this recommendation of the Code both in form and in substance: in particular, the Company makes an additional disclosure of its IFRS statements on a quarterly basis. This Annual Report has been prepared in accordance with the Code recommendations on additional disclosures to be made in the Annual Report (paragraph 293) and, in particular, contains analysis of key metrics presented in the Company's consolidated financial statements for 2019 (MD&A). The IFRS statements for 2019 and the auditor's report are disclosed in the English and Russian languages on the issuer's website, Interfax information disclosure website and referred to in this Annual Report. Thus, investors have equal and easy access to the IFRS statements.
6.2.3	The company's annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company's annual performance results.	<ol style="list-style-type: none"> 1. The company's annual report contains information on the key aspects of its operational and financial performance. 2. The company's annual report contains information on the environmental and social aspects of the company's operations. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.3	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.			
6.3.1	The company provides information and documents requested by its shareholders in accordance with the principles of fairness and ease of access.	The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
6.3.2	When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.	<ol style="list-style-type: none"> 1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified. 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality. 	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1	Actions that materially affect or may affect the company's share capital structure and financial position and accordingly the position of its shareholders ("material corporate actions") are taken on fair terms ensuring that the rights and interests of shareholders and other stakeholders are observed.			
7.1.1	Material corporate actions include company reorganization, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or decrease of the company's authorized capital, listing or de-listing of company shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's articles of association provides for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company's board of directors.	<p>1. The company's articles of association include a list of transactions or other actions classified as material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the authority of the board of directors. When execution of such corporate actions is expressly referred by law to the authority of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders.</p> <p>2. According to the company's articles of association, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or decrease of the company's authorized capital, listing or de-listing of company shares.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
7.1.2	The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company's independent directors.	The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	<p>1. Due to the specifics of the company's operations, the company's articles of association contain less stringent criteria for material corporate actions than required by law.</p> <p>2. All material corporate actions in the reporting period were duly approved before they were taken.</p>	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	
7.2	The company takes material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when taking such actions.			
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances and consequences.	In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.	<input checked="" type="checkbox"/> Full <input type="checkbox"/> Partial <input type="checkbox"/> None	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.2.2	Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents.	<ol style="list-style-type: none"> 1. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested party transaction. 2. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company. 3. The company's internal documents provide for an expanded list of grounds on which the company's directors and other persons as per the applicable law are deemed to be interested parties to the company's transactions. 	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Partial <input type="checkbox"/> None	<p>1. The Company's internal documents do not provide for a procedure for engaging an independent appraiser to estimate the value of the assets either disposed of or acquired in a major transaction or an interested party transaction. The value of the assets is controlled by the Board of Directors within the scope of its authority. The Board of Directors includes independent directors the number of which is sufficient for exercising control over the fair value of the assets disposed of or acquired. In accordance with the Company's Articles of Association, any transactions associated with acquisition, alienation, pledge, leasing, or other disposal of immovable property are subject to approval by the Company's Board of Directors. The Company does not intend to review its approach to this matter in the near future.</p> <p>2. The Company's internal documents do not provide for engagement of an independent appraiser to estimate the value of the shares acquired and bought back by the Company as Company shares are traded on the highest quotation list of the exchange, have sufficient liquidity, and therefore, the Company has fair knowledge of their value. The Company does not intend to review its approach to this matter in the near future.</p> <p>3. The Company's internal documents do not provide for an expanded list of grounds on which the Company's directors and other persons as per the applicable law are deemed to be interested parties to the company's transactions. Pursuant to the Company's Regulations on the Board of Directors, members of the Board of Directors are to refrain from actions that will or may result in a conflict between their interests and those of the Company, and should such a conflict arise, they should promptly disclose to the Company any relevant information. Analysis of implementation of the Regulations set forth above confirms its efficiency and reasonable sufficiency, so the Company does not intend to introduce additional interested party criteria in the near future.</p>

CONSOLIDATED

FINANCIAL STATEMENTS FOR 12 MONTHS 2019

THE CONSOLIDATED FINANCIAL STATEMENTS OF PAO TMK AND ITS SUBSIDIARIES ARE PUBLISHED ON THE COMPANY'S WEBSITE AT

https://www.tmk-group.com/Financial_results (Financial Results section)

https://www.tmk-group.ru/media_en/texts/34/TMK_FS_311219_eng.pdf

MANAGEMENT DISCUSSION AND ANALYSIS

The following review of our financial position and results of operations is based on, and should be read in conjunction with, our consolidated financial statements and related notes for the year ended 31 December 2019.

Certain information, including our forecasts and strategy, contains forward-looking statements and is subject to risks and uncertainties, domestically and internationally. In assessing these forward-looking statements, readers should consider various risk factors as the company's actual results may differ materially from the expected results discussed in this report.

Rounding

Certain monetary amounts, percentages and other figures included in this report are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent. Changes for periods between monetary amounts are calculated based on the amounts in thousands of U.S. dollars stated in our consolidated financial statements, and then rounded to the nearest million or percent.

EXECUTIVE OVERVIEW

We are one of the world's leading producers of steel pipes for the oil and gas industry, a global company with extensive network of production facilities, sales companies and representative offices.

The principal activities of our company are the production and distribution of seamless and welded pipes, including pipes with the entire range of premium connections backed by extensive technical support.

Our plants produce almost the entire range of existing pipes used in the oil-and-gas sector, the chemical and petrochemical industries, energy and machine-building, construction

and municipal housing, shipbuilding, aviation and aerospace, and agriculture.

We created an up-to date technological complex based on advanced scientific research, manufacturing high-quality competitive products.

Our operations are geographically diversified with manufacturing facilities in Russia, the United States, Canada, Romania and Kazakhstan. We operate R&D centers in Russia and the U.S. Our global market presence is supported by a wide distribution network. In 2019, we delivered 61% of our tubular products to our customers located in Russia and 16% in North America. We estimate our share on global market of seamless OCTG at around 15%.

We are the largest exporter of pipes in Russia. Exports of pipes produced by our Russian plants accounted for 21% of our total sales in 2019.

In 2019, we sold 3,828 thousand tonnes of steel pipes. Seamless pipes comprised 69% of our sales volumes. Sales of seamless and welded OCTG reached 1,764 thousand tonnes, a 9% year-on-year increase, sales of LDP were up by 54% year-on-year to 468 thousand tonnes.

In 2019, our total consolidated revenue decreased by 7% to \$4,767 million as compared to 2018. Adjusted EBITDA* was \$688 million as compared to \$700 million in the previous year. Adjusted EBITDA margin was almost flat as compared to 2018 at 14%.

*Adjusted EBITDA – See "Selected financial data".

MARKET CONDITIONS FOR 2019

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

In the U.S., the OCTG market saw a slowdown in demand, impacted by oil price volatility and a weakening in drilling activity.

In 2019, European pipe producers saw some slowdown in demand compared to the previous year from the key pipe-consuming industries, mainly due to a challenging economic environment, which was accompanied by a permanent pressure on pipe prices.

BUSINESS STRUCTURE

Our operating segments reflect TMK's management structure and the way financial information is regularly reviewed. For management purposes, TMK is organised into business divisions based on geographical location and has three reporting segments:

- **Russian division:** manufacturing facilities located in the Russian Federation and Kazakhstan, and oilfield service companies and trading companies in Russia, Kazakhstan, Switzerland and the United Arab Emirates. The Russian division is engaged in the production and supply of seamless and welded pipe, premium products and the

provision of related services to oil and gas companies;

- **American division:** manufacturing facilities and trading companies located in the United States and Canada. The American division is engaged in the production and supply of seamless and welded pipe, premium products and the provision of related services to oil and gas companies;

- **European division:** manufacturing facilities located in Romania and trading companies located in Italy and Germany. The European division is engaged in the production and supply of seamless pipe and steelbillets.

KEY EVENTS

In March, SinTZ for the first time produced casing pipes with TMK UP Centum premium threaded connection made from Q125 steel grade. The first batch was shipped to Gazpromneft subsidiary.

In May, we signed a Memorandum of Understanding with National Petroleum Company of Congo (Société Nationale des Pétroles du Congo, SNPC). The Memorandum solidifies the parties' intention to jointly plan and develop an oil products pipeline on the territory of the Republic of the Congo with the support of both countries' governments.

In June, we signed a Strategic Partnership and Cooperation Agreement with NOVATEK. The agreement outlines key policies and approaches for supplying TMK's premium casing and tubing pipe

to NOVATEK. The agreement introduces formula-based pricing to promote efficient production and ensure timely and reliable supplies, and will remain effective until the end of 2023.

On June 28, the general shareholders' meeting approved dividends in respect of the first quarter 2019 in the amount of 2,634 billion Roubles (\$42 million at the exchange rate at the date of approval) or 2.55 Roubles per share (\$0.04 per share).

In October, we shipped a second batch of casing pipes with TMK UP PF premium threaded connection to Sakhalin Energy Investment Company Ltd for Sakhalin-2 project. The pipe string was successfully lowered into the well in the Sea of Okhotsk under TMK supervision. The order was completed in the frame of the long-term agreement for premium tubular products, signed in 2017.

In October, we signed a memorandum with Saudi Aramco for cooperation development in the upcoming projects.

In November, we signed an agreement with Prommashkomplekt, located in Kazakhstan, for billets supplies. Our sales will amount up to 65 thousand tonnes annually. The agreement will be in effect until 2022.

In January 2020, we closed the sale of 100% IPSCO Tubulars Inc. shares to Tenaris. As a result of the deal the parties entered into a 6-year agreement whereby, beginning on January 2, 2020, Tenaris will be the exclusive distributor of TMK's OCTG and line pipe products in the United States and Canada.

In connection with the deal, S&P raised our long-term credit rating from «B+» to «BB-» with Stable

outlook. Moody's changed outlook from Stable to Positive and confirmed credit rating at B1.

In January 2020, we commissioned a heat treatment line at STZ. The new facility provides heat treatment for 168–370 mm diameter pipes with 6,4–40 mm pipe walls. The total amount of investments was 5.5 billion Roubles, 110 of new jobs were created. New line allows to produce premium tubular products for fields with hard to extract reserves and for wells with aggressive environment and extreme North conditions.

In February 2020, we have closed a \$500 million 7-year Eurobond issue with a coupon of 4.30%. The proceeds from the Eurobond offering will be used to refinance \$500 million Eurobond maturing in April 2020.

YEAR ENDED 31 DECEMBER 2019 RESULTS

RESULTS OF OPERATIONS

In 2019, our sales volumes slightly decreased, weaker results of the American division were almost fully compensated by higher results of the Russian division.

	2019	2018	Change
	in million dollars		in million dollars
Sales volume (in thousand tonnes)	3,828	3,989	(161)
Revenue	4,767	5,099	(332)
Cost of sales	(3,808)	(4,183)	375
GROSS PROFIT	959	916	43
GROSS PROFIT MARGIN	20%	18%	
Net operating expenses*	(556)	(517)	(39)
Impairment of assets	(99)	(17)	(82)
Foreign exchange gain/(loss), net	32	(72)	104
Finance costs, net	(218)	(232)	14
Gain/(loss) on disposal of subsidiaries	0	(24)	24
Other non-operating income/(expenses)	(21)	(9)	(12)
PROFIT/(LOSS) BEFORE TAX	97	45	53
Income tax benefit/(expense)	(32)	(45)	13
NET PROFIT/(LOSS)	66	(0,2)	66
NET INCOME MARGIN	1%	0%	
ADJUSTED EBITDA	688	700	(12)
ADJUSTED EBITDA MARGIN	14%	14%	

* Net operating expenses include selling and distribution, general and administrative, advertising and promotion, research and development, share of profit in associate, gain on disposal of subsidiary and net other operating income/(expense).

SALES

In 2019, our consolidated revenue decreased by \$332 million or 7%. Negative currency translation effect* was \$143 million. Excluding this effect the decrease in revenue was \$189 million.

Sales by reporting segments are as follows:

	2019	2018	Change	Change
	in thousand tonnes		in thousand tonnes	
			in %	
Russia	3,120	2,985	135	5%
America	520	804	(283)	(35)%
Europe	187	201	(13)	(7)%
TOTAL PIPE	3,828	3,989	(161)	(4)%
	in million dollars		in millions dollars	
			in %	
Russia	3,641	3,442	199	6%
America	889	1,349	(460)	(34)%
Europe	236	308	(71)	(23)%
TOTAL REVENUE	4,767	5,099	(332)	(7)%

Sales by group of products are as follows:

	2019	2018	Change	Change
	in thousand tonnes		in thousand tonnes	
			in %	
Seamless pipe	2,651	2,743	(92)	(3)%
Welded pipe	1,177	1,246	(69)	(6)%
TOTAL PIPE	3,828	3,989	(161)	(4)%
	in millions dollars		in millions dollars	
			in %	
Seamless pipe	3,413	3,550	(137)	(4)%
Welded pipe	1,154	1,272	(117)	(9)%
TOTAL PIPE	4,567	4,822	(254)	(5)%
Other operations	199	277	(78)	(28)%
TOTAL REVENUE	4,767	5,099	(332)	(7)%

* The currency translation effect on income/expense items illustrates the influence of different exchange rates we use to convert these items from functional currencies into the presentation currency, the U.S. dollar, in different reporting periods for financial reporting purposes.

Russia. The division's revenue increased by \$199 million or 6% year-on-year. Negative currency translation effect was \$126 million. Excluding this effect revenue was up by \$325 million.

Revenue from sales of seamless pipe increased by \$226 million due to better sales mix, reflecting higher sales volumes of OCTG, including pipes with Premium connections, and better pricing environment.

Revenue from sales of welded pipe increased by \$152 million mainly as a result of higher LDP sales, which also led to better product mix.

Revenue from other operations decreased by \$53 million mainly as a result of a significant drop in billets sales.

America. In the American division revenue decreased by \$460 million or 34% year-on-year.

Revenue from sales of both seamless and welded pipe decreased by \$214 million and \$240 million respectively following significantly lower OCTG sales.

Revenue from other operations decreased by \$6 million year-on-year.

Europe. In the European division revenue decreased by \$71 million or 23% year-on-year. Negative currency translation effect was \$17 million. Excluding this effect revenue fell by \$54 million.

Revenue from sales of seamless pipe decreased by \$41 million as compared to the last year as a result of lower sales volumes and unfavorable pricing environment.

Revenue from other operations decreased by \$12 million as compared to previous year mostly as a result of lower billets sales.

GROSS PROFIT

In 2019, our consolidated gross profit increased by \$43 million or 5% year-on-year and amounted to \$959 million. Negative currency translation effect was \$28 million. Excluding this effect our gross profit increased by \$71 million. Gross profit margin was 20% compared to 18% in 2018.

Gross profit results by reporting segments are as follows:

	2019		2018		Change
	in million dollars	in % to revenue	in million dollars	in % to revenue	in million dollars
Russia	863	24%	652	19%	211
America	45	5%	182	13%	(136)
Europe	50	21%	82	27%	(32)
TOTAL GROSS PROFIT	959	20%	916	18%	43

Gross profit results by group of products are as follows:

	2019		2018		Change
	in million dollars	in % to revenue	in million dollars	in % to revenue	in million dollars
Seamless pipe	858	25%	824	23%	33
Welded pipe	91	8%	67	5%	24
TOTAL PIPE	949	21%	892	18%	57
Other operations	10	5%	24	9%	(14)
TOTAL GROSS PROFIT	959	20%	916	18%	43

Russia. The division's gross profit increased by \$211 million. Negative currency translation effect was \$25 million. Excluding this effect gross profit increased by \$236 million. Gross profit margin was 24% compared to 19% in 2018.

Gross profit from sales of seamless pipe grew by \$169 million as a result of the improved product mix and favorable pricing environment.

Gross profit from sales of welded pipe increased by \$71 million as a result of significant growth in LDP sales volumes, which also led to better product mix.

Gross profit from other operations decreased by \$4 million.

America. The American division's gross profit dropped by \$136 million or 75%. Gross profit margin amounted to 5% compared to 13% in 2018.

Gross profit from sales of seamless and welded pipe decreased by \$82 million and \$48 million following lower OCTG sales volumes.

Gross profit from other operations decreased by \$7 million.

Europe. Gross profit in the European division decreased by \$32 million or 39%. Negative currency translation effect was \$4 million. Excluding this effect gross profit decreased by \$28 million. Gross profit margin amounted to 21% compared to 27% in 2018.

Gross profit from sales of seamless pipe fell by \$24 million as a result of unfavorable pricing environment. Gross profit was also affected by lower sales volumes.

Gross profit from other operations decreased by \$4 million.

NET OPERATING EXPENSES

Net operating expenses were higher by \$39 million or 7%. The share of net operating expenses, expressed as a percentage of revenue, was 12% compared to 10% in 2018.

ADJUSTED EBITDA

In 2019, adjusted EBITDA decreased by \$12 million or 2% as compared to previous year. Adjusted EBITDA margin was almost flat at 14%.

Russia. Adjusted EBITDA was higher by \$151 million following an increase in gross profit, which was partially offset by an increase in selling, general and administrative expenses. Adjusted EBITDA margin was 17% compared to 14% in 2018.

America. Adjusted EBITDA decreased by \$134 million following challenging market environment. Adjusted EBITDA margin was 3% as compared to 12% last year.

Europe. Adjusted EBITDA decreased by \$29 million as compared to 2018 following a decrease in gross profit, which was partially offset by lower selling, general and administrative expenses. Adjusted EBITDA margin amounted to 9% as compared to 17% in 2018.

Adjusted EBITDA

	2019		2018		Change
	in million dollars	in % to revenue	in million dollars	in % to revenue	in million dollars
Russia	636	17%	485	14%	151
America	30	3%	164	12%	(134)
Europe	22	9%	51	17%	(29)
TOTAL ADJUSTED EBITDA	688	14%	700	14%	(12)

IMPAIRMENT OF ASSETS

In the year ended December 31, 2019, we recognised the impairment loss of \$99 million compared to \$17 million loss in 2018.

FOREIGN EXCHANGE MOVEMENTS

In 2019, we recorded a foreign exchange gain in the amount of \$32 million as compared to a \$72 million loss in 2018. In addition, we recognised a foreign exchange gain from exchange rate fluctuations in the amount of \$73 million (net of income tax) as compared to a \$93 million loss (net of income tax) in 2018 in the statement of other comprehensive income. In 2018,

we recognised the reclassification of foreign currency reserves related to the hedged net investment in foreign operation from other comprehensive loss to the income statement in the amount of \$23 million (net of income tax), related to partially disposed ownership in TMK GIPI.

The amount in the statement of comprehensive income represents the effective portion of foreign exchange gains or losses on our hedging instruments.

NET FINANCE COSTS

In 2019, net finance costs decreased by \$14 million or 6%. The

weighted average nominal interest rate was 6.95% as of 31 December 2019 as compared to 7.29% as of 31 December 2018.

CASH FLOWS

The following table presents our cash flows:

	2019	2018	Change
	in million dollars	in million dollars	in million dollars
Cash provided by operating activities before working capital changes	665	682	(17)
Decrease/ (increase) in inventories	(49)	(122)	73
Decrease/ (increase) in settlements with customers	12	(89)	101
Decrease/ (increase) in settlements with customers	37	66	(29)
Income tax paid	(69)	(27)	(42)
Net cash provided by operating activities	598	510	88
Payments for property and equipment	(219)	(273)	54
Other investments	(145)	18	(163)
Free Cash Flow	234	256	(22)
Change in loans	(50)	(46)	(4)
Interest paid	(219)	(235)	16
Other financing activities	45	(31)	76
Free Cash Flow to Equity	10	(57)	66
Dividends paid	(43)	(39)	(4)
Effect of exchange rate changes	(1)	(4)	3
Cash and cash equivalents at the beginning of period	392	491	(99)
Cash and cash equivalents at period end	357	392	(34)

Net cash flows provided by operating activities increased by \$88 million to \$598 million from \$510 million in the previous year. In 2019, working capital remained almost unchanged compared to a \$145 million increase in 2018. The increase in 2018 was mainly a result of growth in inventories and trade receivables.

Net repayment of borrowings amounted to \$50 million as compared to net repayment in the amount of \$46 million in 2018.

Cash and cash equivalents at the end of the period amounted to \$357 million as compared to \$392 million at the end of 2018.

INDEBTEDNESS

Our overall financial debt increased to \$3,006 million as of 31 December 2019 from \$2,867 million as of 31 December 2018. Net repayment of borrowings in 2019 was \$50 million. The increase in debt was a result of the Rouble appreciation against the U.S. dollar. Our Net debt amounted to \$2,503 million as compared to \$2,437 million as of 31 December 2018.

As of 31 December 2019, our debt portfolio comprised diversified debt instruments, including bank loans, bonds and other credit facilities. As of 31 December 2019, the U.S. dollar-denominated portion of our debt represented 39%, Rouble-denominated portion of debt represented 56%, euro-denominated portion of debt represented 5% of our total debt.

The share of our short-term debt was 45% as of 31 December 2019 compared to 31% as of 31 December 2018.

As of 31 December of 2019, our weighted average nominal interest rate decreased by 35 basis points to 6.95% compared to 31 December 2018.

Our most significant credit facilities as of 31 December 2019 were as follows:

Type of borrowing	Bank	Original currency	Outstanding principal amount	Maturity period
in millions of U.S. dollars				
Eurobonds		USD	500	April 2020
Loan	Gazprombank	USD	270	February 2020
Loan	Sberbank	RUR	226	August 2022
Loan	Alfa-bank	USD	181	January 2020
Loan	Gazprombank	RUR	181	March 2022
Loan	VTB	RUR	162	August 2020
Loan	VTB	RUR	162	December 2021
Bonds		RUR	162	May 2021
Loan	Gazprombank	USD	130	January 2020
Loan	Alfa-bank	RUR	97	July 2021
			2,070	
Other credit facilities			939	
Unamortised debt issue costs			(3)	
TOTAL LOANS AND BORROWINGS			3,006	

DEVELOPMENT TRENDS

In Russia, we expect pipe consumption by domestic oil and gas companies to remain stable in 2020. The increased complexity of hydrocarbon production projects in Russia is expected to result

in higher demand for high tech products.

In Europe, we expect seamless industrial pipe shipments at the European division to remain stable year-on-year, mainly supported by demand for high value-added products.

SELECTED FINANCIAL DATA

ADJUSTED EBITDA

Reconciliation of income before tax to Adjusted EBITDA for the twelve months ended:

	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Income before tax	97	143	140	91	45
Depreciation and amortisation	205	231	248	261	268
Finance costs, net	218	216	216	221	232
Impairment of assets	99	14	14	17	17
Foreign exchange (gain)/loss, net	(32)	(4)	9	48	72
Loss/(gain) on disposal of property, plant and equipment	14	9	10	13	12
Movement in allowances and provisions (except for provisions for bonuses)	44	34	16	8	5
Other non-operating income/(expenses)	40	40	58	55	50
Other non-cash items	4	3	2	2	(1)
ADJUSTED EBITDA	688	687	713	715	700

Adjusted EBITDA is not a measure of our operating performance under IFRS and should not be considered as an alternative to gross profit, net profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, Adjusted EBITDA should not be considered to be a measure of discretionary cash available to invest in our growth. Adjusted EBITDA has limitations as an analytical tool, and potential investors should not consider it in isolation, or as a substitute for analysis of our operating results as reported under IFRS.

The following limitations of Adjusted EBITDA as an analytical tool should be considered:

- Adjusted EBITDA does not reflect the impact of financing or finance costs on our operating performance, which can be significant and could further increase if we were to incur more debt
- Adjusted EBITDA does not reflect the impact of income taxes on our operating performance

- Adjusted EBITDA does not reflect the impact of depreciation and amortisation on our operating performance. The assets that are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA, it does not reflect our future cash requirements for these replacements

- Adjusted EBITDA does not reflect the impact of other non-cash items on our operating performance, such as foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions, (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associate and other non-cash items.

NET DEBT

Net debt has been calculated as of the dates indicated:

	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
	in million dollars				
Loans and borrowings less interest payable	3,006	3,064	2,974	2,851	2,867
Net of: Cash and short-term financial investments*	(503)	(393)	(333)	(332)	(430)
NET DEBT	2,503	2,672	2,640	2,519	2,437
NET DEBT-TO-EBITDA (LTM**)	3,64	3,89	3,70	3,52	3,48

* Cash and short-term financial investments include Cash and cash equivalents, Other financial assets and short-term loans issued.

** Net Debt-to-EBITDA ratio is defined as the quotient of Net Debt at the end of the given reporting date divided by the Adjusted EBITDA for the 12 months immediately preceding the given reporting date. Adjusted EBITDA – see “Selected financial data”.

Net Debt is not a measure under IFRS, and it should not be considered to be an alternative to other measures of financial position.

Other companies in the pipe industry may calculate Net Debt differently and therefore comparability may be limited. Net Debt is a measure of our operating performance that is not required by, or presented in accordance with, IFRS. Although Net Debt is a non IFRS measure, it is widely used to assess liquidity and the adequacy of a company's financial structure. Management believes Net Debt provides an accurate indicator of our ability to meet our financial obligations, represented by gross debt, from available cash. Net Debt demonstrates investors the trend in our net financial position over the periods presented.

PRINCIPAL RISKS AND UNCERTAINTIES

INDUSTRY RISKS

DEPENDENCE ON THE OIL AND GAS INDUSTRY

The oil and gas industry is the principal consumer of steel pipe products worldwide and accounts for most of our sales, in particular sales of OCTG, line pipe and large-diameter pipe. In 2019, sales volumes of pipes used in oil and gas industry accounted for approximately 79% of our tubular products.

The oil and gas industry has historically been volatile and downturns in the oil and gas markets can adversely affect demand for our products, which largely depends on the number of oil and gas wells being drilled, completed and reworked, the depth and drilling conditions of wells and the construction of oil and gas pipelines. The level of such industry specific activities in turn depends on the level of capital spending by major oil and gas companies. The level of investment activities of oil and gas companies, which is largely driven by prevailing prices for oil and natural gas and their stability, significantly affects the level of consumption of our products.

Thus, the decline in oil and gas exploration, drilling and production activities, prices for energy commodities and other economic factors beyond our control could adversely affect our results of operations.

INCREASES IN THE COST OF RAW MATERIALS

We require substantial quantities of raw materials to produce steel pipes. The principal raw materials

used in production processes include scrap and ferroalloys for use in steelmaking operations, steel billets used for the production of seamless pipe and steel coils and plates for the production of welded pipe. The demand for the principal raw materials we utilize is generally correlated with macroeconomic fluctuations, which in turn are affected by global economic conditions.

Prices for raw materials and supplies have a key influence on our production costs and are one of the main factors affecting our results of operations. There are many factors, which influence raw materials prices, including oil and gas prices, worldwide production capacity, capacity utilization rates, inflation, exchange rates, trade barriers and developments in steelmaking processes. We are negotiating new contract terms with our major clients based on pricing formulas, which secure us against growing raw materials prices. The share of raw materials' and consumables' costs in the total cost of sales in 2019 was 65%. In 2019, the cost of scrap metal for TMK's plants in Russia in Rouble-terms decreased on average by 7%, and the cost of coils decreased by 8%. The increase in prices for scrap, coils and other raw materials, if not passed to customers can adversely affect our profit, margins and results of operations.

Our plants also consume significant quantities of energy, particularly electricity and gas. In 2019, energy and utility costs comprised approximately 8% of our total cost of sales. The prices for electricity for our plants increased by 8% in Rouble-terms

compared to 2018, while the average prices for domestic natural gas for our plants increased by 3% in Rouble-terms. If we are required to pay higher prices for gas and electricity in the future, our costs will rise and this could have a material adverse effect on our business, financial condition, results of operations and prospects.

DEPENDENCE ON A SMALL GROUP OF CUSTOMERS

As we focus on supplying primarily the oil and gas industry, our largest customers are oil and gas companies. In 2019, our five largest customers in Russia were Rosneft, Gazprom, Surgutneftegas, Gazpromneft and Lukoil, which together accounted for 34% of our total sales volumes. The increased dependence of pipe sales on a single large customer bears the risk of an adverse effect on results of operations in the event that our relationship with any of these major customers deteriorates.

Our LDP business is largely dependent on one of our largest customers, Gazprom. In 2019, 43% of our LDP were sold for Gazprom projects. Increased competition in the supply of LDP or a change in relationships with Gazprom could negatively affect our competitive position in the large-diameter pipe market, resulting in decreased revenues from sales of these products and adversely affecting our business, financial position and results of operations. Additionally, large-diameter pipe business depends significantly upon the level of construction of new oil and gas pipelines in Russia and the CIS. The delay, cancellation or other

changes in the scale or scope of significant pipeline projects, or the selection by the sponsors of such projects of other suppliers could have an adverse effect on our sales of LDP, and thus on the results of operations and financial position.

COMPETITION

The global market for steel pipe products, particularly in the oil and gas sector, is highly competitive. In the Russian and CIS markets, we face competition primarily from ChTPZ, as well as OMK and ZTZ in the LDP segment, and the Ukrainian and Chinese pipe producers.

After accession to the WTO Russia had adjusted its national legislation in full accordance with WTO rules and regulations, what allowed Russia along with the EEU (Eurasian Economic Union) to use WTO trade defense mechanism for the national market protection. To date, the following antidumping measures are effective in EEU: antidumping duties in the amount 18.9%-19.9% on imports of some types of steel tubes and pipes originated from Ukraine that were extended till 2021, anti-dumping duties ranging from 4.32% to 18.96% on imports of seamless corrosion resistant steel tubes and pipes originating from Ukraine, antidumping duties in the amount 19.15% on imports of cold-drawn stainless steel pipes originated from China and Malaysia, antidumping duties 12.23%-31% in respect to OGTG originated from China.

Outside Russia and the CIS, we compete against a limited number of premium-quality

pipe products producers, including Tenaris, Vallourec, Sumitomo, Voestalpine and Chinese producers.

The US market is protected by more than 50 defense measures, the trade defense of the American market is constantly being improved. For example, in 2018 in the USA antidumping duties were prolonged in the amount of 30.8% for LDP from Japan, the following defense measures were introduced for pipe products: anti-dumping and countervailing duties for non-alloy welded pipes from Brazil, Mexico, Korea and Taiwan in the amount of 4.91% to 103.38%, on welded carbon pipes from Taiwan - from 9.7% to 43.7%

A number of new trade investigations were also initiated: anti-dumping on welded pipes from China, compensatory and anti-dumping against the import of large-diameter pipes from Canada, Greece, Turkey, China and India.

In accordance with Section 232 of the Trade Expansion Act, in February 2018, protective duties, which amounts to 25%, were imposed in the USA on imports of steel goods.

We may not be able to compete effectively against existing or potential producers and preserve our current share of the various geographical or product markets in which we operate. A failure to compete effectively in one or more of these markets could have a material adverse effect on our business, financial condition, results of operations and prospects.

FINANCIAL RISKS

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our approach to managing liquidity is to ensure that it will always have sufficient liquidity assets to meet its obligations when due.

We manage liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As of December 31, 2019, our total debt increased to \$3,006 million as compared to \$2,867 million at the end of 2017, as a result of the Rouble appreciation against the US dollar. Net repayment amounted to \$50 million. As of December 31, 2019, our Net-Debt-to-EBITDA ratio was 3.64x.

As of December 31, 2019, we committed credit lines in Russian, European and American banks with the available limit of \$779 million.

Nevertheless, there can be no assurance that our efforts to improve liquidity profile and reduce leverage will prove successful. The negative debt market reaction on deteriorating global political and financial situation, US and EU sanctions, economic situation in Russia may have an adverse

impact on our ability to borrow in banks or on capital markets, and may put pressure on our liquidity, significantly increase borrowing costs, temporarily reduce the availability of credit lines or lead to and possibility to incur financing on acceptable terms.

COMPLIANCE WITH COVENANTS

Certain amount of our loan agreements and public debt securities currently include financial covenants. Some covenants impose financial ratios that must be maintained, others impose restrictions in respect of certain transactions, including restrictions in respect of indebtedness, pledging of assets and material asset disposals. A breach of financial or other covenants in existing debt facilities, if not resolved by means such as obtaining a waiver from the relevant lender and/or making amendments to debt facilities, could trigger a default under our obligations.

As of December 31, 2019, we were in compliance with lenders' requirements under covenants.

Nevertheless, in case financial markets or economic situation on the markets, where we operate, deteriorate in the future, we may not comply with relevant covenants. In case of possible breach we will apply best efforts to obtain all necessary waivers or standstill letters. We do not expect the occurrence of such events in the near future.

INTEREST RATE RISK

Loans and borrowings at variable interest rate create an exposure to interest rate risk, that is, fluctuations of cash flows due to changes in market interest rates. The exposure of interest rate risk did not materialise for us in the reporting period, as substantially all of our loans and borrowings bore interest at fixed rates or the CBR base rate increased by a fixed margin.

CURRENCY RISK

Our products' prices as well as our costs are nominated both in Roubles and in other currencies (generally, in US dollars and euro). We hedge our net investment in operations located in the United States against foreign currency risks using US dollar denominated liabilities. Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. In 2019, we incurred foreign exchange gain from spot rate changes in the total amount of \$32 million. In addition, we recognised foreign exchange gain of \$73 million (net of income tax) in the statement of comprehensive income.

Also we are exposed to currency risk on the borrowings that are denominated

in currencies other than the functional currencies of the respective Group's members. The currencies in which these transactions are denominated are primarily Rubles, US dollars and euro. As of December 31, 2019, 39% of our loans were denominated in US dollar. In this regards, as well as taking into consideration continuing volatility of the Rouble against US dollar, the risk of losses owing to the Rouble devaluation remains sufficiently high. Depreciation of the Rouble against the US dollar could adversely affect our net profit as coherent losses will be reflected in our consolidated income statements. Nevertheless, we are partly secured from currency risks as foreign currency denominated sales occasionally are used to cover repayment of foreign currency denominated borrowings.

INFLATION RISK

A significant amount of our production activities are located in Russia, and a majority of direct costs are incurred in Roubles. We tend to experience inflation-driven increases in certain costs, such as raw material costs, transportation costs, energy costs and salaries that are linked to the general price level in Russia. In 2019, inflation in Russia increased to 3% as compared to 4.3% in 2018. In spite of the measures of the Russian government to contain inflation, growth of inflation rates may be significant in the short-term outlook. We may not be able to increase

the prices sufficiently in order to preserve existing operating margins.

Inflation rates in the United States, with respect to our American division operations, are historically much lower than in Russia. In 2019, inflation in the United States was 2.3%, which is slightly higher than 1.9% in 2018.

High rates of inflation, especially in Russia, could increase our costs, decrease our operating margins and adversely affect our business and financial position.

LEGAL RISKS

CHANGES IN TAX LEGISLATION AND TAX SYSTEM

Our subsidiaries make significant tax and non-budgetary funds payments, in particular, profit tax, VAT, property tax and payments to social security funds. Changes in tax legislation could lead to an increase in tax payments and, consequently, to a lowering of financial results. As significant part of the operations is located in Russia, the main risks relate to changes in the legislation of the Russian tax system. The Russian Government continually reviews the Russian tax legislation. The new laws generally reduce the number of taxes and the overall tax burden on business while simplifying tax legislation. Nevertheless, should the Russian taxation system suffer any changes related to increasing of tax rates, this could adversely affect our business.

Moreover, the Russian oil industry is subject to substantial taxes, including significant resources production taxes and significant export customs duties. Changes to the tax regime and customs duties rates may adversely affect the level of oil and gas exploration and development in Russia, which can adversely affect the demand for our products in Russia.

CHANGES IN ENVIRONMENTAL LAW

We meet the requirements of national environmental laws at our industrial capacities location areas: the directives and regulations of Russian, the United States, the European Union, Romanian and Kazakhstan legislation.

The main ecological-and-economical risks of our Russian plants are related to changes and tightening of the Russian environmental protection laws. Environmental legislation in Russia is constantly developing. The imposition of a new law and regulation system may require further expenditures to install new technological and waste disposal equipment, pollution and wastewater control equipment, as well as will lead to growth of the rate of payments for negative impact on the environment. It is expected that compliance with the regulations will be accompanied by stricter control by state monitoring authorities.

We estimate that the environmental legislation of the European Union and the United States, Romania and Kazakhstan will not undergo any material changes in the near future. Nevertheless, if such changes arise, the cost of compliance with new requirements could have a material adverse effect on our business.

OTHER RISKS

EQUIPMENT FAILURES OR PRODUCTION CURTAILMENTS OR SHUTDOWNS

Our production capacities are subject to equipment failures and to the risk of catastrophic loss due to unanticipated events, such as fires, explosions and adverse weather conditions. Our manufacturing processes depend on critical pieces of steel-making and pipe-making equipment. Such equipment may, on occasion, be out of service as a result of unanticipated failures, which could require us to close part or all of the relevant production facility or cause us to reduce production on one or more of our production lines.

Any interruption in production capability may require us to make significant and unanticipated capital expenditures to effect repairs, which could have a negative effect on our profitability and cash flows. Any recoveries under insurance coverage that we may obtain may not offset the lost revenues or increased costs resulting from a disruption of our operations.

A sustained disruption to our business could also result in delays to or cancellations of customer orders and contractual penalties, which may also negatively impact our reputation among our customers. Any or all of these occurrences could have a material adverse effect on our business, results of operations, financial condition and prospects.

INSURANCE AGAINST ALL POTENTIAL RISKS AND LOSSES

We maintain insurance against losses that may arise in case of property damage including business interruption insurance, accidents, transportation of goods. We also maintain corporate product liability and directors and officers liability insurance policies.

We maintain obligatory insurance policies required by law and provide employees with medical insurance as part of our compensation arrangements with our employees.

Nevertheless, we do not carry insurance against all potential risks and losses, and our insurance might be inadequate to cover all of our losses or liabilities or may not be available on commercially reasonable terms.

ABILITY TO EFFECT STAFF ALTERATIONS AND SHORTAGES OF SKILLED LABOR

Our Russian subsidiaries are in many regions the largest employers in the cities in which they operate, such as Volzhsky, Taganrog, Kamensk-Uralsky and Polevskoy. While we do not have any specific legal social obligations or responsibilities with respect to these regions, the ability to effect alterations in the number our employees may nevertheless be subject to political and social considerations. Any inability to make planned reductions in the number of employees or other changes to operations in such regions could have an adverse effect on the results of operations and prospects.

Competition for skilled labor in the steel pipe industry remains relatively intense, and labor costs continue to increase moderately, particularly in the CIS, Eastern Europe and the United States. We expect the demand and, hence, costs for skilled engineers and operators will continue to increase, reflecting the significant demand from other metallurgical companies and other industries. Continual high demand for skilled labor and continued increases in labor costs could have a material adverse effect on our business, financial position and results of operations.

TRANSACTIONS REPORT

LIST OF TRANSACTIONS MADE BY PAO TMK IN 2019 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

In 2019, PAO TMK made one major transaction.

Counterparty	Subject matter of the transaction	Transaction price, RUB	Transaction amount, percent of net asset value	Governing body that agreed to/subsequently approved the transaction, date of resolution
Maverick Tube Corporation	Share purchase agreement in respect of ordinary shares in IPSCO Tubulars Inc., under which PAO TMK sells, and Maverick Tube Corporation purchases, 100% of ordinary shares in the authorized capital of IPSCO Tubulars Inc.	78,161,850,000	33.85%	Board of Directors, March 22, 2019

LIST OF TRANSACTIONS MADE BY PAO TMK IN 2019 AND RECOGNIZED AS INTERESTED PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
1Q 2019					
1	AO ALFA-BANK	Surety agreement under which PAO TMK shall secure performance of all current and future obligations of PJSC Seversky Pipe Plant (Beneficiary) under Agreement No. 918 between AO ALFA-BANK and PJSC Seversky Pipe Plant on the procedure for, and terms of, granting loans in Russian roubles and foreign currencies dated August 01, 2018	12,063,287,933 (more than 2% of net asset value)	<p>1) PAO TMK's controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity.</p> <p>2) Alexander Shiryayev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Beneficiary's Board of Directors, as well as the CEO and a member of the Board of Directors and Management Board of the Beneficiary's management company.</p> <p>3) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Board of Directors and Management Board of the Beneficiary's management company.</p> <p>4) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company.</p> <p>7) Sergey Kravchenko, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>8) Yaroslav Kuzminov, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>9) Peter O'Brien, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>10) Sergey Papin, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>11) Alexander Pumpyanskiy, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>12) Dmitry Pumpyanskiy, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>13) Robert Mark Foresman, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>14) Anatoly Chubais, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>15) Alexander Shokhin, a member of the Board of Directors, is simultaneously a member of the Board of Directors of the Beneficiary's management company.</p> <p>Percentage of PAO TMK shares owned by interested parties: TMK Steel Holding Limited – 65.0584%, A. Shiryayev – 0.015%, A. Kaplunov – 0.0067%, A. Zimin – 0.000072%, T. Petrosyan – 0.0016%, V. Popkov – 0.001509%, S. Kravchenko – 0%, Ya. Kuzminov – 0%, P. O'Brien – 0%, S. Papin – 0.0044%, A. Pumpyanskiy – 0%, D. Pumpyanskiy – 0.0063%, R. M. Foresman – 0%, A. Chubais – 0%, A. Shokhin – 0%.</p> <p>Percentage of AO ALFA-BANK shares owned by interested parties: 0%.</p> <p>Percentage of PJSC Seversky Pipe Plant shares owned by interested parties: 0%.</p>	General Meeting of Shareholders January 15, 2019

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
2	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PAO TMK to secure performance of obligations of PJSC Seversky Pipe Plant under Agreement No. 918 with AO AL-FA-BANK on the procedure for, and terms of, granting loans in Russian roubles and foreign currencies dated August 01, 2018	11,900,000	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Alexander Shiryaev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors, as well as the CEO and a member of the Board of Directors and Management Board of the Counterparty's management company. 3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company. 4) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors and Management Board of the Counterparty's management company. 5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company. 6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	Approval not required (transactions under RUB 500 million)
3	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 1543/18 with CREDIT BANK OF MOSCOW dated December 28, 2018	35,000,000		
4	PJSC Sinarsky Pipe Plant	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of PJSC Sinarsky Pipe Plant under Non-Revolving Credit Facility Agreement No. 91141 with Sberbank dated August 15, 2018	12,250,000		
5	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of PJSC Volzhsky Pipe Plant under Non-Revolving Credit Facility Agreement No. 91139 with Sberbank dated August 15, 2018	12,250,000		
6	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of PJSC Seversky Pipe Plant under Non-Revolving Credit Facility Agreement No. 91192 with Sberbank dated December 10, 2018	10,500,000		

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
7	Sberbank	Surety agreement under which PAO TMK shall secure all the obligations of PJSC Sinarsky Pipe Plant (Beneficiary) to Sberbank under Non-Revolving Credit Facility Agreement No. 91141 dated August 15, 2018	9 542 764 384 (more than 2% of net asset value)	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity. 2) Alexander Shiryaev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Beneficiary's Board of Directors and the CEO, member of the Board of Directors and Management Board of the Beneficiary's management company. 3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company. 4) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Board of Directors and Management Board of the Beneficiary's management company. 5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company. 6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company.	Board of Directors, November 28, 2018
8	Sberbank	Surety agreement under which PAO TMK shall secure all the obligations of PJSC Volzhsky Pipe Plant (Beneficiary) to Sberbank under Non-Revolving Credit Facility Agreement No. 91139 dated August 15, 2018	16,443,305,479 (more than 2% of net asset value)	Percentage of PAO TMK shares owned by interested parties: TMK Steel Holding Limited – 65.0584%, A. Shiryaev – 0.015%, A. Kaplunov – 0.0067%, A. Zimin – 0.000072%, T. Petrosyan – 0.0016%, V. Popkov – 0.001509%. Percentage of Sberbank shares owned by interested parties: 0%. Percentage of PJSC Sinarsky Pipe Plant shares owned by interested parties: 0%. Percentage of PJSC Volzhsky Pipe Plant shares owned by interested parties: 0%. Percentage of PJSC Seversky Pipe Plant shares owned by interested parties: 0%.	Board of Directors, December 20, 2018
9	Sberbank	Surety agreement under which PAO TMK shall secure all the obligations of PJSC Seversky Pipe Plant (Beneficiary) to Sberbank under Non-Revolving Credit Facility Agreement No. 91192 dated December 10, 2018	7,764,784,110 (more than 2% of net asset value)	Percentage of PAO TMK shares owned by interested parties: TMK Steel Holding Limited – 65.0584%, A. Shiryaev – 0.015%, A. Kaplunov – 0.0067%, A. Zimin – 0.000072%, T. Petrosyan – 0.0016%, V. Popkov – 0.001509%. Percentage of Sberbank shares owned by interested parties: 0%. Percentage of PJSC Sinarsky Pipe Plant shares owned by interested parties: 0%. Percentage of PJSC Volzhsky Pipe Plant shares owned by interested parties: 0%. Percentage of PJSC Seversky Pipe Plant shares owned by interested parties: 0%.	Board of Directors, December 20, 2018
10	JSC Sinara Group	Loan agreement under which PAO TMK shall grant a loan to JSC Sinara Group	163,039,726	1) Alexander Shiryaev, CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors. 2) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors. 3) Alexander Pumpyanskiy, a member of the Board of Directors, is simultaneously a member of the Counterparty's Board of Directors. 4) Dmitry Pumpyanskiy, a member of the Board of Directors, is simultaneously a member of the Counterparty's Board of Directors. 5) Sergey Papin, a member of the Board of Directors, is simultaneously a member of the Counterparty's Board of Directors.	Approval not required (transactions under RUB 500 million)
11	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	54,749,431	The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	
12	POWERSTREAM HOLDINGS LIMITED	Loan agreement under which PAO TMK shall grant a loan to POWERSTREAM HOLDINGS LIMITED	83,045,871.77	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors.	

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
2Q 2019					
13	RCB Bank Ltd	Guaranty and indemnity agreement under which PAO TMK and PJSC Volzhsky Pipe Plant shall guarantee the obligations of PJSC Seversky Pipe Plant (Borrower) under a loan agreement with RCB Bank Ltd	3,559,227,210	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the controlling entity of the Borrower (the Beneficiary of the transaction) and JSC Volzhsky Pipe Plant (a party to the transaction).</p> <p>2) Alexander Shiryaev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Boards of Directors of the Borrower and JSC Volzhsky Pipe Plant, and the CEO and a member of the Board of Directors and Management Board of the management company of the Borrower and JSC Volzhsky Pipe Plant.</p> <p>3) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Boards of Directors of the Borrower and JSC Volzhsky Pipe Plant and a member of the Board of Directors and Management Board of the management company of the Borrower and JSC Volzhsky Pipe Plant.</p> <p>4) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Boards of Directors of the Borrower and JSC Volzhsky Pipe Plant and a member of the Management Board of the management company of the Borrower and JSC Volzhsky Pipe Plant.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Boards of Directors of the Borrower and JSC Volzhsky Pipe Plant and a member of the Management Board of the management company of the Borrower and JSC Volzhsky Pipe Plant.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Boards of Directors of the Borrower and JSC Volzhsky Pipe Plant and a member of the Management Board of the management company of the Borrower and JSC Volzhsky Pipe Plant.</p>	Board of Directors, April 25, 2019
14	VTB Bank (Europe) SE	Guaranty agreement under which PAO TMK shall guarantee the obligations of TMK-ARTRON SA (Beneficiary) under a revolving credit facility agreement with VTB Bank (Europe) SE	1,542,570,636.44	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity.</p> <p>2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors.</p>	Board of Directors, April 01, 2019
15	Sberbank	Addendum No. 1 dated June 28, 2019 to Surety Agreement No. 91098 dated April 16, 2019 under which PAO TMK shall secure the obligations of JSC Volzhsky Pipe Plant (Beneficiary) to Sberbank under Bank Guaranty Agreement No. 91174 with Sberbank dated December 24, 2018	500,000,000.00	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity.</p> <p>2) Alexander Shiryaev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Beneficiary's Board of Directors and the CEO, member of the Board of Directors and Management Board of the Beneficiary's management company.</p> <p>3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company.</p> <p>4) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Board of Directors and Management Board of the Beneficiary's management company.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors and a member of the Management Board of the Beneficiary's management company.</p>	Board of Directors, June 17, 2019

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
16	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Non-Revolving Credit Facility Agreement No. 45/19-R with JSC Gazprombank dated March 22, 2019	19,747,000	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.</p> <p>2) Alexander Shiryayev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors, as well as the CEO and a member of the Board of Directors and Management Board of the Counterparty's management company.</p> <p>3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p> <p>4) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors and Management Board of the Counterparty's management company.</p>	Approval not required (transactions under RUB 500 million)
17	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of PJSC Volzhsky Pipe Plant under Bank Guaranty Agreement No. 91174 with Sberbank dated December 24, 2018	2,100,000	<p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p>	
18	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of PJSC Seversky Pipe Plant (Borrower) under a loan agreement with RCB Bank Ltd	11,448,533	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Borrower's controlling entity.</p> <p>2) Alexander Shiryayev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Borrower's Board of Directors and the CEO and a member of the Board of Directors and Management Board of the Borrower's management company.</p> <p>3) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Borrower's Board of Directors and a member of the Board of Directors and Management Board of the Borrower's management company.</p> <p>4) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Borrower's Board of Directors and a member of the Management Board of the Borrower's management company.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Borrower's Board of Directors and a member of the Management Board of the Borrower's management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Borrower's Board of Directors and a member of the Management Board of the Borrower's management company.</p>	
19	TMK-ARTROM SA	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of TMK-ARTROM SA under a revolving credit facility agreement with VTB Bank (Europe) SE	10,293,234	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.</p> <p>2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors.</p>	

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
20	POWERSTREAM HOLDINGS LIMITED	Loan agreement under which PAO TMK shall grant a loan to POWERSTREAM HOLDINGS LIMITED	94,217,909.37	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors.	Approval not required (transactions under RUB 500 million)
21	TMK Overseas LLC	Loan agreement under which PAO TMK shall grant a loan to TMK Overseas LLC	8,556,254	The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	
22	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	1,907,017,756.57	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Alexander Shiryaev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors, as well as the CEO and a member of the Board of Directors and Management Board of the Counterparty's management company. 3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company. 4) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors and Management Board of the Counterparty's management company. 5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company. 6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
23	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	89,695,835.62	The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	
24	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	5,641,090,238.36 (more than 2% of net asset value)	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Alexander Shiryaev, the CEO and a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors, as well as the CEO and a member of the Board of Directors and Management Board of the Counterparty's management company. 3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company. 4) Andrey Kaplunov, a member of the Board of Directors and Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors and Management Board of the Counterparty's management company. 5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company. 6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company. Percentage of PAO TMK shares owned by interested parties: TMK Steel Holding Limited – 65.0584%, A. Shiryaev – 0.015%, A. Kaplunov – 0.0067%, A. Zimin – 0.000072%, T. Petrosyan – 0.0016%, V. Popkov – 0.001509%. Percentage of PJSC Volzhsky Pipe Plant shares owned by interested parties: 0%.	Pending approval

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
3Q 2019					
25	PJSC TAGMET	Surety fee agreement for a surety issued by PJSC TAGMET to secure the obligations of PAO TMK under Loan Agreement No. 45/19-R with Gazprombank (JSC) dated March 22, 2019	19,747,000	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Alexander Shiryaev, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company. 3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	Approval not required (transactions under RUB 500 million)
26	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PJSC Seversky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 45/19-R with Gazprombank (JSC) dated March 22, 2019	19,747,000	4) Andrey Kaplunov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company. 5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
27	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by PJSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/0006/V-19 with Gazprombank (JSC) dated July 30, 2019	17,500,000	6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
28	JSC Volzhsky Pipe Plant	Amendment to the surety fee agreement for a surety issued by PAO TMK to secure the obligations of PJSC Volzhsky Pipe Plant under Bank Guaranty Agreement No. 91174 with Sberbank dated December 24, 2018	1,400,000		
29	POWERSTREAM HOLDINGS LIMITED	Loan agreement under which PAO TMK shall grant a loan to POWERSTREAM HOLDINGS LIMITED	91,670,303.10	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors.	
30	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	58,443,452.05	The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
31	LLC Hermes	Surety agreement under which PAO TMK shall secure all current and future obligations of JSC Volzhsky Pipe Plant, PJSC Seversky Pipe Plant and PJSC TAGMET (Debtors) to LLC Hermes under a supply agreement	-	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the controlling entity of the Debtors (Beneficiaries).</p> <p>2) Alexander Shiryayev, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Boards of Director of the Beneficiaries' management company.</p> <p>3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Management Board of the Beneficiaries' management company.</p> <p>4) Andrey Kaplunov, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Board of Directors of the Beneficiaries' management company.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Management Board of the Beneficiaries' management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Management Board of the Beneficiaries' management company.</p>	Board of Directors, October 07, 2019
32	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	2,178,045,753.42	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.</p> <p>2) Alexander Shiryayev, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company.</p> <p>3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p> <p>4) Andrey Kaplunov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p>	Pending approval
33	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	737,787,671.23	<p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p>	
4Q 2019					
34	LLC Hermes	Guaranty agreement under which PAO TMK and Rockarrow Investments Limited (Guarantors) shall, irrevocably and unconditionally, jointly secure all current and future obligations of JSC Volzhsky Pipe Plant, PJSC Seversky Pipe Plant and PJSC TAGMET (Debtors) to LLC Hermes under a supply agreement	4,039,078,968.55	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the controlling entity of the Debtors (Beneficiaries).</p> <p>2) Alexander Shiryayev, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Boards of Director of the Beneficiaries' management company.</p> <p>3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Management Board of the management companies of the Beneficiaries and a member of the Board of Directors of Rockarrow Investments Limited.</p> <p>4) Andrey Kaplunov, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Board of Directors of the Beneficiaries' management company.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Management Board of the Beneficiaries' management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Beneficiaries' Boards of Directors and a member of the Management Board of the Beneficiaries' management company.</p>	Board of Directors, October 07, 2019
35	VTB Bank (Europe) SE	Guaranty agreement under which PAO TMK shall guarantee the obligations of TMK-ARTROM SA (Beneficiary) under the revolving credit facility agreement with VTB Bank (Europe) SE dated April 16, 2019	1,487,254,981	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Beneficiary's controlling entity.</p> <p>2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Beneficiary's Board of Directors.</p>	

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
36	TMK-ARTROM SA	Surety fee agreement for a surety issued by PAO TMK to secure the obligations of TMK-ARTROM SA under a revolving credit facility agreement with VTB Bank (Europe) SE	9,958,186	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors.	Approval not required (transaction under RUB 500 million)
37	PJSC Sinarsky Pipe Plant	Surety fee agreement for a surety issued by PJSC Sinarsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 45/19-R with Gazprombank (JSC) dated March 22, 2019	19,600,000	1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity. 2) Alexander Shiryayev, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company. 3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	Approval not required (transactions under RUB 500 million)
38	PJSC Sinarsky Pipe Plant	Surety fee agreement for a surety issued by PJSC Sinarsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 3104/17 with CREDIT BANK OF MOSCOW dated February 28, 2017	11,650,000	4) Andrey Kaplunov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company. 5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
39	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 129-K-19 with Bank RRDB (JSC) dated November 21, 2019	52,500,000	6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.	
40	PJSC Seversky Pipe Plant	Surety fee agreement for a surety issued by PJSC Seversky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. 129-K-19 with Bank RRDB (JSC) dated November 21, 2019	52,500,000		
41	JSC Volzhsky Pipe Plant	Surety fee agreement for a surety issued by JSC Volzhsky Pipe Plant to secure the obligations of PAO TMK under Loan Agreement No. KS-30000/00010/V-19 with VTB Bank (PJSC) dated December 06, 2019	17,500,000		
42	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	75,086,331.36	The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.	Approval not required (transactions under RUB 500 million)
43	LLC TMK R&D Center	Loan agreement under which PAO TMK shall grant a loan to LLC TMK R&D Center	10,243,242.41		

No.	Counterparty	Subject matter of the transaction	Transaction price, RUB	Parties recognized as interested as at the moment the transaction was agreed	Governing body that agreed to/ subsequently approved the transaction, date of resolution
44	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	2,302,169,863.01	<p>The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.</p> <p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.</p> <p>2) Alexander Shiryayev, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company.</p> <p>3) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p> <p>4) Andrey Kaplunov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Board of Directors of the Counterparty's management company.</p> <p>5) Tigran Petrosyan, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p> <p>6) Vyacheslav Popkov, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors and a member of the Management Board of the Counterparty's management company.</p>	Pending approval
45	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	2,302,169,863.01		
46	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	1,379,793,205.48		
47	JSC Volzhsky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to JSC Volzhsky Pipe Plant	3,994,115,972.59		
48	PJSC Seversky Pipe Plant	Loan agreement under which PAO TMK shall grant a loan to PJSC Seversky Pipe Plant	873,189,863.58		
49	PJSC TAGMET	Loan agreement under which PAO TMK shall grant a loan to PJSC TAGMET	845,405,550.57		
50	POWERSTREAM HOLDINGS LIMITED	Loan agreement under which PAO TMK shall grant a loan to POWERSTREAM HOLDINGS LIMITED	84,395,089.50	<p>1) The controlling entity, TMK Steel Holding Limited, is simultaneously the Counterparty's controlling entity.</p> <p>2) Andrey Zimin, a member of the Management Board, is simultaneously a member of the Counterparty's Board of Directors.</p>	Approval not required (transaction under RUB 500 million)

GLOSSARY

Adjusted EBITDA	Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provision 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
Casing	Steel pipe used to reinforce the walls of a well
Drill pipe	Threaded seamless steel butted pipe used for well drilling
EAF	Electric arc furnace
FQM	Fine Quality Mill, a seamless rolling mill
HBI	Hot-briquetted iron
IAS	Internal Audit Service
IFRS	International Financial Reporting Standards
LDP	Large diameter pipe
Line pipe	Pipe used in the construction and workover of upstream, transmission and process pipelines
OCTG	Oil country tubular goods
OHS	Occupational health and safety
RAS	Russian Accounting Standards
SAGD	Steam Assisted Gravity Drainage
Seamless pipe	Pipe manufactured through the insertion of a solid billet in a press or a piercing mill (with subsequent hot or cold working)
TAGMET	PJSC Taganrog Metallurgical Works
Tubing	Plain-end steel pipe or steel pipe with externally upset ends for oil and gas well operation
Welded pipe	Pipes made from metal coil, plate, strip or sheet, rolled and welded and manufactured on a tube welding mill
y-o-y	Year-on-year change in a metric

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