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PRESS RELEASE

TMK Announces 3Q and 9M 2021 IFRS Results

Inside information: This announcement does not contain inside information.

Forward-looking statements: The following contains forward-looking statements concerning future events. These statements are based on current information and assumptions of TMK management concerning known and unknown risks and uncertainties.

PAO TMK (“TMK” or “the Group”), a global leader in steel pipe production and one of the world's leading suppliers of tubular products for the energy and industrial sectors, today announces its interim consolidated IFRS financial results for the nine months ended September 30, 2021.

While analysing these financial statements, it is important to note that the interim consolidated income statement of TMK Group includes the financial results of ChelPipe Group's enterprises acquired as part of the transaction to purchase 86.54% of the shares of PJSC ChelPipe in March 2021, from the date of acquisition to September 30, 2021. The financial indebtedness of TMK Group is therefore presented with the financial indebtedness of ChelPipe Group's enterprises acquired as part of the transaction, as at September 30, 2021.

3Q and 9M 2021 Highlights

Financial

- 3Q Revenue up by 7% quarter-on-quarter at RUB 117.3 billion, supported by stable sales volumes and increased selling prices.
9M Revenue up by 79% year-on-year at RUB 291.5 billion, due to a gradual recovery of business activity in the Group's key markets and segments, as well as the consolidation of the results from ChelPipe Group's enterprises.
- 3Q Adjusted EBITDA up by 19% quarter-on-quarter at RUB 16.8 billion. Adjusted EBITDA margin in 3Q 2021 improved by 1.4 p.p. quarter-on-quarter to 14.3%.
9M Adjusted EBITDA up by 13% year-on-year at RUB 39.5 billion, due to the consolidation of the results from ChelPipe Group's enterprises, which offset a noticeable increase in raw material prices in 9M 2021.
- Net debt was at RUB 275 billion as at September 30, 2021.

Major Developments in 3Q 2021 and after the reporting period

High-tech products and Business development

- In September, Pervouralsk Pipe Plant supplied a large batch of cylinders to PepsiCo. The cylinders will be used in the production of non-alcoholic carbonated beverages as reusable containers for carbon dioxide storage and transportation. The certified cylinders underwent hydrostatic pressure and leakage tests to verify tightness, as well as inner surface treatment to remove scale.
- In September, TMK was successfully qualified by Sakhalin Energy to supply line pipe for hydrocarbon transportation from the Sakhalin-2 project. High-tech pipes produced at Volzhsky Pipe Plant (“VTZ”) will be supplied to onshore and subsea oil and gas pipelines.

In September, TMK and Sakhalin Energy signed an addendum to their long-term contract for the supply of pipe and tubular products. This will expand the range of TMK's high-tech pipes supplied to the Sakhalin-2 project and increase the share of domestic products used in the development of Russian subsea fields.

- In October, VTZ started production of high-strength cold-rolled seamless steel pipes made of 13CrL chrome-nickel steel produced in-house, and successfully certified them at Gazprom's R&D centre VNIIGAZ. These high-tech casing pipes with TMK UP FMC and TMK UP PF extra-tight threaded connections are designed for extreme conditions, in particular, for cold climates with temperatures down to - 60 °C, as well as fields that produce hydrocarbons containing carbon dioxide.
- In October, TMK signed a contract to supply 15 thousand tonnes of high-tech pipe to Turkmen State Concern "Turkmengaz" for the construction of a gas turbine power plant project. The pipe will be used to transport natural gas from existing gas fields in the country to the Zerger gas turbine power plant, currently under construction in Turkmenistan's eastern Lebap Region.
- In October and November, ETERNO, part of TMK, manufactured and supplied to MMK a customised design EAF bath for steelmaking, and to Severstal c.300 customised containers from its new heavy engineering product line to transport steel coil. This is a first shipment of such products to Severstal.

Equities

- In October, TMK completed the consolidation of shares of PJSC ChelPipe. As part of the procedure launched in August 2021 in accordance with legal requirements, TMK acquired the remaining 2.3679% of PJSC ChelPipe's shares at a price of RUB 318.26 per share.

ESG / Sustainable development

- In August, TMK announced its intention to reduce greenhouse gas emissions in 2021 - 2023 by 8% versus 2020 levels as part of its new environmental programme. Respective measures will be held at the Company's key production sites in Russia and will cost RUB 2.9 billion.

In the next three years TMK will also invest RUB 1.5 billion to increase the share of recycled water supply to 98%, as well as about RUB 1 billion to reduce further waste generation. These measures are fully in line with the Company's commitment to improve the environmental balance at its production sites.

- In September, TMK was ranked first among steel companies in AK&M's social performance ranking, which included 45 companies that demonstrated best sustainability practices.

Cooperation

- In August, TMK and JSC Uzbekneftegaz agreed on the principles for long-term scientific and technical cooperation and joint work to explore potential applications for TMK's pipe products. Uzbekneftegaz will facilitate TMK's participation in projects implemented in Uzbekistan. In turn, TMK undertakes to fulfill potential partners' orders as a priority and will coordinate R&D cooperation between the two companies.
- In September, TMK and Gazpromneft-Technological Partnerships signed a cooperation agreement relating to the two companies' acceleration programmes. The parties intend to pool resources, competencies and knowledge for the development of these programmes, including jointly forming mechanisms for financing and attracting investments to support innovative start-ups in oil and gas production, the pipe industry and cross-industry solutions.
- In October, TMK and Gazprom signed a comprehensive scientific and technical cooperation programme for 2021–2025. The programme will focus on two main areas: the development of new types of pipe and tubular products – large diameter and seamless pipes, including those for offshore projects – and best practice sharing, research, service and field exploration. Gazprom will identify the key research and technical challenges to the construction and operation of gas trunk pipelines and other facilities, while TMK will conduct related innovative research and development, as well as technological work.
- In October, TMK and Weatherford LLC, a subsidiary of Weatherford International plc ("Weatherford") entered into a framework agreement of a technological cooperation for the provision of services to Russian and foreign oil and gas companies. The companies intend to work together to identify new application areas for new oilfield services technologies and solutions. TMK will inform its partners about its technical and operational tasks and make recommendations on the use of Weatherford

technologies. In turn, Weatherford will be able to offer technological solutions as part of a package on various TMK projects.

- In November, TMK and IRE-POLUS, the founder of R&D group IPG Photonics Corporation, signed a programme for joint development and adoption of laser technology in pipe production at TMK's plants. The parties intend to implement a number of projects by 2023, including the development of new high-tech products with improved performance, improvements to manufacturing and repair technologies to maximise cost efficiency, R&D-intensive solutions and equipment upgrades.

4Q 2021 Outlook

The Group expects demand in its key market segments in Russia – seamless OCTG and industrial pipes – to remain stable until the end of the year.

Consumption of industrial pipe in the European market is expected to increase further on the back of the ongoing economic recovery.

Overall, the Group expects FY 2021 EBITDA to increase significantly y-o-y, supported by the gradual recovery of business activity in the Group's key markets and segments, as well as the consolidation of the results from ChelPipe Group's enterprises. The Group also expects its EBITDA margin to improve further in 4Q 2021.

Igor Korytko, CEO of TMK, said:

"TMK has delivered a solid performance in the third quarter and nine months of 2021, with strong growth in our revenue and EBITDA on both a quarterly and a year-on-year basis. This was supported by a recovery in business activity in our key geographic markets, as well as continued synergies unlocked from the acquisition of the ChelPipe assets, which allow the Company to respond flexibly to any changes in the market, optimise production capacities, and manage risks in conditions when production planning horizons have significantly decreased. This helped us, in particular, mitigate pressure from increased raw material prices and post an increase in our EBITDA margin, which was 14.3% as at the end of 3Q.

Despite global challenges, TMK continues to actively develop its scientific and technical expertise and high-tech solutions – premium threaded connections and stainless steel pipes. Our premium product segment remains stable today, unlike basic types of products, which are much more sensitive to market volatility.

We continue to strengthen our commitment to the sustainable development agenda, not only to respond to demand from our customers, but to take advantage of new opportunities and market niches. TMK is focused on the development of ecologically safe pipe products for its customers. These are new pipe solutions that ensure maximum tightness of pipe columns during the production and transportation of hydrocarbons, isolate heat, and make it possible to eliminate the use of lubricants during the transportation and assembly of pipes into columns. We have also announced a number of key partnerships that will further accelerate our ability to deliver cutting-edge pipe solutions to the global energy sector, helping our customers improve the reliability and ecological impact of their operations in challenging environments.

Looking ahead, we expect the Group to demonstrate strong results for FY 2021, supported by the ongoing recovery in demand in TMK's key market segments, a stabilisation of raw material prices, as well as synergies from the acquisition of the ChelPipe Group's enterprises."

Group Summary 3Q and 9M 2021 Results

Group sales volumes

	3Q 2021	2Q 2021*	Change		9M 2021	9M 2020	Change
<i>(thousand tonnes)</i>							
Seamless	823	853	(4)%		2,221	1,544	44%
Welded	331	297	11%		788	532	48%
Total sales	1,154	1,151	0%		3,009	2,076	45%

Group financial results

(In millions of rubles, unless stated otherwise)

	3Q 2021	2Q 2021	Change		9M 2021	9M 2020	Change
Revenue	117,259	109,216	7%		291,536	163,146	79%
Gross profit	23,235	22,995	1%		58,711	36,203	62%
<i>Gross profit margin, %</i>	20%	21%			20%	22%	
Adjusted EBITDA ⁽¹⁾	16,758	14,110	19%		39,458	34,789	13%
<i>Adjusted EBITDA margin, %</i>	14%	13%			14%	21%	

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

* Updated information on welded pipe sales in 2Q 2021.

(1) 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 (except for foreign exchange gain or loss arising on accounts receivable and payable, which is considered to be a part of operations), impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for 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.

9M 2021 IFRS Financial Statements are available at:

<https://www.tmk-group.com/storage/section/897/tmk-fs-300921-eng.pdf>

9M 2021 Review

Market

3Q 2021 vs. 2Q 2021

In 3Q 2021, the Russian pipe market declined by 11% compared to the previous quarter. Increased shipments of large diameter pipe and higher demand for line pipe were offset by lower shipments of industrial pipe, due to the market saturation, and decline of the total OCTG pipe market, following slower purchasing activity by the oil and gas companies, and OPEC+ oil production cuts. At the same time, the share of horizontal drilling increased by 5 p.p. to almost 58% in 3Q 2021.

In 3Q 2021, pipe demand in Europe continued to improve after the lifting of major COVID-19 lockdowns, supported by extensive stimulus measures adopted by European countries, while pipe selling prices were on the rise, mainly driven by elevated raw material prices.

9M 2021 vs. 9M 2020

The Russian pipe market declined by 5% year-on-year. Increased shipments of large diameter pipe were offset by decline of the total OCTG pipe market, as drilling volumes in 9M 2021 were down year-on-year following OPEC+ oil production cuts, while the share of horizontal drilling increased from 50% as of the end of 9M 2020 to 54% as of the end of 9M 2021.

In 9M 2021, European pipe producers saw a further increase in orders and higher pipe selling prices, driven by high raw material prices.

Financial

3Q 2021 vs. 2Q 2021

Revenue

Revenue increased by 7% quarter-on-quarter, supported by recovering demand in TMK's key markets and segments, as well as due to synergies from the ongoing integration of enterprises of ChelPipe Group to the Group's operations. The share of ChelPipe Group's enterprises in TMK Group's total revenue was at 27% in 3Q 2021.

Revenue at the Russian division grew by 7% quarter-on-quarter, supported by our efforts to deliver higher sales of OCTG, despite the overall Russian market trend, increased sales of line and large diameter pipe, as well as higher pipe prices, driven by increased raw material prices.

Revenue at the European division increased by 12% quarter-on-quarter, due to continued revival of demand for tubular products from key consumers and higher pipe prices.

Adjusted EBITDA

Adjusted EBITDA increased by 19% quarter-on-quarter. Adjusted EBITDA margin improved by 1.4 p.p. to 14.3%.

Adjusted EBITDA at the Russian division grew by 20%, compared to the previous quarter, mainly due to the increase in pipe selling prices, which allowed to offset higher raw material costs. As a result, EBITDA margin improved by 1.5 p.p. quarter-on-quarter to 14.6%.

Adjusted EBITDA at the European division declined by 15% quarter-on-quarter, due to the remaining pressure from elevated raw material prices, which was only partially compensated by higher pipe selling prices.

Debt profile as at September 30, 2021

The total debt decreased from RUB 351.6 billion as at June 30, 2021 to RUB 340.6 billion as at September 30, 2021. The weighted average nominal interest rate increased by 58 basis points compared to the end of 2Q 2021 and amounted to 7.16% as at the end of the reporting period.

9M 2021 vs. 9M 2020

Revenue

Revenue increased by 79% year-on-year, due to more favourable conditions in TMK's key markets, which drive sales volumes, and following the consolidation of the results from ChelPipe Group's enterprises, whose share in TMK Group's total revenue was at 26% in 9M 2021.

Revenue at the Russian division grew by 81% year-on-year, reflecting the improved demand in the Company's key segments, higher pipe selling prices, driven by increased raw material prices, as well as the contribution of results from ChelPipe Group to the overall result.

Revenue at the European Division was up by 43% year-on-year, mainly driven by increased sales, due to an improving global economic environment and revival of pipe demand in the European and US markets. The positive foreign currency translation effect also contributed to the increase in revenues.

Adjusted EBITDA

Adjusted EBITDA was up by 13% year-on-year, mainly due to the consolidation of the results from ChelPipe Group's enterprises, which offset a significant increase in raw material prices.

Adjusted EBITDA at the Russian division increased by 12% year-on-year. It is worth noting that the company recorded a significant positive foreign exchange gain from operations in 9M 2020. Excluding this factor for the both periods, the Russian division EBITDA was up by 53% year-on-year. An improved sales mix, with a higher share of seamless industrial pipe, supported adjusted EBITDA margin.

Adjusted EBITDA at the European Division almost doubled year-on-year and amounted to RUB 1 billion.

3Q and 9M 2021 IFRS Results Conference Call:

TMK's management will hold a conference call for investors and analysts to present the Group's 3Q and 9M 2021 financial results today at 9:00 New York / 14:00 London / 17:00 Moscow.

To join the conference call, please dial:

Russia:	+7 495 213 1767
Russia Toll Free:	8 800 500 9283
UK Local:	+44 (0)330 336 9127
UK Toll free:	0800 358 6377
US Local:	+1 323-994-2131
US Toll Free:	800-347-6311

Conference ID: 1605220

(We recommend that participants start dialing-in 5 minutes in advance to ensure a timely start for the conference call)

The call will be followed by a Q&A session.

For further information regarding TMK, please visit www.tmk-group.com or download [the YouTube iPad application](#) from the App Store.

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TMK (www.tmk-group.com)

TMK (www.tmk-group.com) is a global manufacturer and supplier of steel pipe for the oil and gas industry, one of the world's three leading pipe producers. It operates production sites in Russia, Romania, Czech Republic and Kazakhstan, and has two R&D centers in Russia. High margin oil country tubular goods (OCTG) account for the largest share of TMK's sales. The Company has expertise in shipping its products to customers in over 80 countries and offers a wide range of services in heat treating, protective coating, premium connections threading, warehousing and pipe repairing. TMK's shares are listed on the Moscow Exchange.