



March 11, 2022

PRESS RELEASE

TMK Announces FY 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 oil and gas and other sectors, today announces its audited consolidated IFRS financial results for the year ended December 31, 2021.

While analysing these financial statements, it is important to note that the audited consolidated income statement of TMK Group includes the financial results of ChelPipe Group's enterprises acquired as part of the transaction to purchase the shares of PJSC ChelPipe in March 2021, from the date of acquisition to December 31, 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.

FY 2021 Highlights

Financial

- 4Q Revenue up by 17% quarter-on-quarter at RUB 137.4 billion, supported by stable sales volumes and increased selling prices.
FY Revenue almost doubled compared to FY 2020 and stood at RUB 429.0 billion, due to a gradual recovery of business activity in the Group's key markets and segments, as well as the contribution of ChelPipe Group's enterprises to the overall result.
- 4Q Adjusted EBITDA up by 37% quarter-on-quarter at RUB 22.9 billion. Adjusted EBITDA margin improved by 2.4 p.p. quarter-on-quarter to 16.7%.
FY Adjusted EBITDA up by 47% year-on-year at RUB 62.4 billion, due to the consolidation of the results from ChelPipe Group's enterprises. At the same time, during the year EBITDA was under the pressure from a noticeable increase in raw material prices.
- Net debt was at RUB 228.2 billion as at December 31, 2021.
- Net debt / adjusted EBITDA ratio at 3.66x as at December 31, 2021.

Major developments in 4Q 2021 and after the reporting period

High-tech products and Business development

- In December 2021, ETERNO, part of TMK, manufactured and supplied to TMK-YMZ, part of TMK, a customized product from a new heavy engineering line – a steel-pouring ladle for steel production. The purchase and modernization of ladles is being carried out to increase the performance of an electric arc furnace (EAF) installed at TMK-YMZ. The replacement of a transformer will increase the EAF performance by 5% and new larger ladles will allow to increase the weight of a cast. TMK is implementing an investment program at TMK-YMZ, which is targeted at modernising, reconstructing and re-equipping the existing production facilities, as well as replacing worn-out equipment and improving the cybersecurity system.
- In February 2022, ETERNO, part of TMK, supplied Ural steel plant with a customized heavy engineering line product – roller segments of a continuous casting machine. ETERNO was also first



in Russia to master the production of a mobile mixer for liquid iron, which was supplied to the EVRAZ United West Siberian Iron and Steel Works.

ESG / Sustainable development

- In December 2021, the ACRA rating agency assigned an ESG-rating to TMK for the first time at the level of ESG-5, category ESG-C, which indicated a high assessment rating for environment, social responsibility and governance factors at TMK Group.
- In December 2021, TMK became a leader in sustainable development among steel companies in the rating of Expert magazine. Within one year, the Company rose from 7th to 1st place, as it demonstrated strong performance in environmental, social and economic aspects. In December, TMK was named one of the 104 "golden" employers in Russia by Forbes magazine. In 2021, the Forbes rating was compiled with a focus on the ESG agenda, and the assessment metrics were combined into the three groups: "Environment" (E), "Employees and Society" (S) and "Corporate Governance" (G).
- In December 2021, PNTZ, part of TMK, launched a project to upgrade air purification equipment at its production sites. Three types of modern gas and dust collecting machines with a filtration coefficient ranging from 85% to 99% were put into operation at three workshops of PNTZ. Fully automated equipment cleans the air from particulate pollutants generated during the production cycle, deposits them on filter walls, places them in sealed receiving bins, and then returns purified air back into a working room. The dust collected is placed at a special site in compliance with environmental regulations.
- In January 2022, TMK released its Sustainability Policy approved by TMK's Board of Directors. This is the key public document that defines and formalises the Company's approach to ESG matters, and confirms TMK's commitment to the concept of sustainable development.

Igor Korytko, CEO of TMK, said:

"TMK delivered a strong performance in 2021, doubling revenue from the previous year and posting a significant increase in EBITDA, due to the improved economic situation in TMK's key markets, as well as synergies unlocked from the acquisition of the ChelPipe business. That acquisition has become an important step for the implementation of TMK's long-term strategy aimed at expanding production facilities and sales markets, diversifying its production portfolio, developing R&D and innovative competences, as well as increasing the operational efficiency of our business. During the year, our debt metrics fluctuated as a result of the acquisition of new assets, however, by the end of the year we managed to deliver a decline in leverage and to confirm our commitment to further debt reduction.

As the spread of COVID-19 continued in 2021, TMK adhered to strict measures to ensure the safety of its employees and supported local communities where it operates. The measures taken helped us to maintain uninterrupted production and to implement our investment programme, which is aimed at developing and modernising the Group's assets. Investments made during the year enable us to further expand our range of innovative products, which are in high demand from customers, and reduce negative impact on the environment.

In 2021, TMK strengthened its focus on the ESG agenda. The competences of the Strategy Committee of the Group's Board of Directors were expanded to include sustainable development questions, and the Committee itself was renamed the Strategy and Sustainable Development Committee. In late 2021, the Board of Directors approved the Company's Sustainable Development Policy, which formalises our approaches in this area. We continue to improve our non-financial disclosure and in mid-2022 we plan to release our first sustainability report prepared in accordance with the international reporting standards.

The current geopolitical situation creates uncertainty for 2022 business forecasts. We closely monitor the market situation, communicate with our customers and suppliers on a regular basis, and try to assess potential risks for our business. TMK Group has a solid market position as a supplier of pipe products and solutions for various industries, a strong financial position, a balanced portfolio of orders and the ability to



quickly respond to changes in consumer demand by redirecting its production capacities. We confirm our focus on the Russian market, which accounts for a significant portion of our revenue, as well as our intention to continue to develop high-tech and innovative products to satisfy the needs of our clients.”

Group Summary 4Q and FY 2021 Results

Group sales volumes

| | 4Q 2021 | 3Q 2021 | Change | | FY 2021 | FY 2020 | Change |
|--------------------------|----------------|----------------|---------------|--|----------------|----------------|---------------|
| <i>(thousand tonnes)</i> | | | | | | | |
| Seamless | 852 | 823 | 4% | | 3,073 | 2,026 | 52% |
| Welded | 400 | 331 | 21% | | 1,187 | 785 | 51% |
| Total sales | 1,252 | 1,154 | 9% | | 4,260 | 2,811 | 52% |

Group financial results

(In millions of rubles, unless stated otherwise)

| | 4Q 2021 | 3Q 2021 | Change | | FY 2021 | FY 2020 | Change |
|----------------------------------|----------------|----------------|---------------|--|----------------|----------------|---------------|
| Revenue | 137,445 | 117,259 | 17% | | 428,981 | 222,621 | 93% |
| Gross profit | 31,401 | 23,235 | 35% | | 90,112 | 48,570 | 86% |
| <i>Gross profit margin, %</i> | 23% | 20% | | | 21% | 22% | |
| Adjusted EBITDA ⁽¹⁾ | 22,923 | 16,758 | 37% | | 62,381 | 42,480 | 47% |
| <i>Adjusted EBITDA margin, %</i> | 17% | 14% | | | 15% | 19% | |

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.

(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.

FY 2021 IFRS Financial Statements are available at:

<https://www.tmk-group.com/storage/section/897/tmk-fs-311221-eng.pdf>

FY 2021 Review

Market

4Q 2021 vs. 3Q 2021

In 4Q 2021, the Russian pipe market increased by 20% quarter-on-quarter, due to further recovery of the economic activity. Shipments of large diameter, industrial welded pipe and seamless line pipe posted the highest growth rates. The volume of the overall Russian OCTG pipe market demonstrated a positive trend, following traditionally higher purchasing activity by the oil and gas companies and due to implementation of the agreement on gradual increase in oil production by OPEC+. At the same time, the share of horizontal drilling decreased slightly to 55% in 4Q 2021.

In 4Q 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 rose, driven by elevated production costs and recovery in demand.



FY 2021 vs. FY 2020

The Russian pipe market decreased by 2% year-on-year. An increase in shipments of large diameter pipe, seamless line and industrial pipe was offset by a decline in the overall OCTG market, following lower drilling volumes, and a contraction in the welded industrial pipe market, as continued growth in material prices resulted in lower construction rates. At the same time, the share of horizontal drilling increased from 50% in 12M 2020 to almost 54% in 12M 2021.

In 12M 2021, European pipe producers saw a further increase in orders resulting from a deferred demand, which recovered due to the stimulus investments in the region following the easing of COVID-19 restrictions, as well as higher pipe selling prices, driven by increased raw material and energy prices, as well as recovery in demand.

Financial

4Q 2021 vs. 3Q 2021

Revenue

Revenue increased by 17% quarter-on-quarter, driven by a stable demand in TMK's key segments, including seamless OCTG and seamless industrial pipe, and higher sales of large diameter pipes.

Revenue at the Russian division grew by 18%, compared to the previous quarter, mainly driven by increased sales in the line pipe and large diameter pipe segments, as well as higher pipe prices, resulting from increased raw material prices.

Revenue at the European division increased by 6% 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 37% quarter-on-quarter. Adjusted EBITDA margin improved by 2.4 p.p. to 16.7%.

Adjusted EBITDA at the Russian division grew by 36%, compared to the previous quarter, mainly due to the increase in pipe selling prices, which offset higher raw material costs. As a result, EBITDA margin improved by 2.3 p.p. quarter-on-quarter to 16.9%.

Adjusted EBITDA at the European division increased by 72% quarter-on-quarter, as the remaining pressure from elevated raw material prices was offset by higher pipe selling prices.

Debt profile as at December 31, 2021

The total debt decreased from RUB 340.6 billion as at September 30, 2021 to RUB 329.9 billion as at December 31, 2021. The weighted average nominal interest rate increased by 81 basis points compared to the end of 3Q 2021 and amounted to 7.97% as at the end of the reporting period, due to the increase in the key rate. Net debt decreased from RUB 275.0 billion as at September 30, 2021 to RUB 228.2 billion as at December 31, 2021.

FY 2021 vs. FY 2020

Revenue

Revenue in FY 2021 almost doubled compared to FY 2020, mainly due to higher sales volumes (+52% year-on-year), driven by more favourable conditions in TMK's key markets, and a valuable contribution of ChelPipe Group's enterprises to the overall result, with their share in TMK Group's total revenue in FY 2021 being at 37%.



Revenue at the Russian division increased 96% year-on-year. It was supported by our efforts to deliver higher sales of OCTG, despite the overall Russian market trend, increased sales of industrial and large diameter pipe, higher pipe selling prices, driven by elevated raw material prices, as well as the contribution of ChelPipe Group's enterprises to the overall result and continued synergies from the acquisition.

Revenue at the European Division grew by 47% year-on-year, driven by higher pipe prices and increased sales volumes (+11% year-on-year), due to a more favourable global economic environment and recovery in pipe demand in the European and US markets.

Adjusted EBITDA

Adjusted EBITDA was up by 47% year-on-year, mainly due to the contribution of ChelPipe Group's enterprises to the overall result, as well as the Company's efforts to offset a significant increase in raw material prices.

Adjusted EBITDA at the Russian division increased by 45% year-on-year. An improved sales mix, with a higher share of seamless line and industrial pipe, supported adjusted EBITDA margin.

Adjusted EBITDA at the European Division grew 3.2 times year-on-year, driven by stronger sales and higher selling prices.

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 supplier of steel pipe, pipe solutions and related services for the oil and gas industry. Threaded pipes for the oil and gas sector account for the largest share of TMK's sales. The company also supplies special pipes and piping systems for the nuclear power industry, pipe products for the chemical industry, mechanical engineering, construction and other industries. TMK combines pipe supplies with a wide range of services for selection of tubular products, including development of innovative solutions, as well as maintenance, warehousing and pipe repairing. The company masters its R&D expertise and develops new innovative pipe products at two R&D centers in Skolkovo and Chelyabinsk. TMK's shares are listed on the Moscow Exchange.