

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

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.

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, Romania and Kazakhstan. We operate two R&D centers in Russia. Our global market presence is supported by a wide distribution network. In 2020, we delivered 76% of our tubular products to our customers located in Russia. We estimate our share on the global market of seamless OCTG at around 10%.

We are the largest exporter of pipes in Russia. Exports of pipes produced by our Russian plants accounted for 18% of our total sales in 2020.

In 2020, we sold 2,811 thousand tonnes of steel pipes. Seamless pipes comprised 72% of our sales volumes. Sales of seamless OCTG reached 1,198 thousand tonnes, a 29% year-on-year decrease. The decrease was mainly a result of IPSCO disposal. Sales of LDP were 30% lower year-on-year at 326 thousand tonnes.

In 2020, our total consolidated revenue decreased by 28% to 222,621 million roubles as compared to 2019. Adjusted EBITDA¹ was 42,480 million roubles as compared to 43,540 million roubles in the previous year. Adjusted EBITDA margin was 19% as compared to 14% in 2019.

Market conditions for 2020

The Russian pipe market declined by 9% compared to 2019, predominantly reflecting lower shipments of large diameter pipe. Deceleration in drilling activity and a lower share of horizontal drilling (50% in 2020 compared to 53% in 2019) resulted in some decline in total OCTG pipe market volume.

In 2020, European pipe market experienced a significant decline in consumption from key industries resulting from deterioration of business activity, caused by COVID-19 pandemic and lockdowns.

KEY EVENTS

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

As a result of the sale, 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 new heat treatment facility at Seversky Pipe Plant with an annual capacity of up to 300 thousand tonnes. 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 completed a RUB 500 million 7-year Eurobond issue with a coupon of 4.30%. The proceeds from the Eurobond offering were used to refinance \$500 million Eurobond matured in April 2020.

In April, a new finishing complex was commissioned at SinTZ. The equipment enables to perform main finishing operations in automatic mode.

On April 23, 2020 we completed the offering of Russian rouble bonds in the amount of 10 billion roubles. We used the proceeds to refinance our existing bonds and some bank loans. The placement had a positive effect on our debt maturity profile.

¹ Adjusted EBITDA - See «Selected financial data».

In August, we signed an agreement to supply pipes to Amursky Gas Chemical Complex, one of the world's largest polymer production enterprises, which is currently being constructed by SIBUR in the Amur region. According to the agreement we will deliver a set of complex solutions including seamless pipes, welded large-diameter pipes and pipeline parts in a total volume of more than 36 thousand tonnes in 2021-2023.

In October, we acquired 100% ownership interest in a casting and rolling complex, located in Yartsevo, Smolensk Region, TMK-YMZ (former-Parus, LLC). The complex has a production capacity of more than 300 thousand tonnes of rolled steel per year.

In October, we announced the completion of share buyback program of TMK ordinary shares that has been approved by the Board of Directors on 11 September 2020. The Program was performed by VTZ through the period of 15 September 2020 to 15 October 2020. As a result of the Program VTZ acquired 29,854,245 ordinary shares of TMK, which constitutes 2.89% of the total number of issued ordinary shares of TMK. The remaining shares in free-float are 4.4% of the total number of issued ordinary shares of TMK.

In October, a casing string made up of premium threaded connection pipes manufactured by TMK was successfully lowered into a well from the Berkut offshore ice resistant stationary platform at the Sakhalin-1 project's Arkutun-Dagi field.

In October, we acquired a controlling stake in enterprises comprising Truby 2000. The acquisition will enable the expansion of the Group's partnership with the state corporation Rosatom and accelerate further development of our expertise in the segment of equipment for nuclear stations.

We developed unique pipes for Rosatom's mechanical engineering division for its BREST-OD-300 experimental demonstration power unit. A technology to produce extra-long heat-exchange pipes made of special durable, ductile steel was developed exclusively for the new power unit. The high-strength austenitic steel withstands both steam water and superheated steam, as well as liquid lead, which is used in a reactor as a coolant. As part of a project to establish the closed nuclear fuel cycle, TMK will produce over 200 thousand meters of pipe to equip the steam generators of a fast neutron reactor.

In December, we reached an agreement on expanding cooperation with the largest oil and gas company in Uzbekistan – JSC Uzbekneftegaz. The parties are discussing joint projects aimed at the development of the oil and gas industry in the Republic of Uzbekistan, as well as research and technical cooperation.

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: plants located in the Russian Federation, a finishing facility in Kazakhstan, oilfield service companies in Russia, traders located in Russia, the United Arab Emirates, the USA and Switzerland. 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: plants and traders located in the USA and Canada. On January 2, 2020, the Group completed the disposal of IPSCO Tubulars Inc. and its subsidiaries which constituted the American division;
- European division: plants located in Romania and traders located in Italy and Germany. The European division is engaged in the production and supply of seamless pipe and steel billets.

YEAR ENDED 31 DECEMBER 2020 RESULTS

RESULTS OF OPERATIONS

In 2020, our results were largely impacted by IPSCO disposal and an economic slowdown due to COVID-19 pandemic, despite which our Adjusted EBITDA stayed in line with 2019.

| Indicators | 2020 | 2019 | Change |
|--|------------------|---------------|-----------------|
| | RUB mln | RUB mln | RUB mln |
| Sales volume (in thousand tonnes) | 2,811 | 3,828 | (1,017) |
| Revenue | 222,621 | 308,378 | (85,757) |
| Cost of sales | (174,051) | (246,736) | 72,685 |
| GROSS PROFIT | 48,570 | 61,642 | (13,072) |
| <i>GROSS PROFIT MARGIN</i> | 22% | 20% | |
| Net operating expenses ¹ | (33,019) | (36,006) | 2,987 |
| Impairment of assets | (5,216) | (6,246) | 1,030 |
| Foreign exchange gain/(loss), net | 8,288 | 2,098 | 6,190 |
| Finance costs, net | (11,874) | (14,104) | 2,230 |
| Gain/(loss) on disposal of subsidiaries | 23,870 | (13) | 23,883 |
| Other non-operating income/(expenses) | (261) | (1,344) | 1,083 |
| PROFIT/(LOSS) BEFORE TAX | 30,358 | 6,027 | 24,331 |
| Income tax benefit/(expense) | (6,057) | (2,081) | (3,976) |
| NET PROFIT/(LOSS) | 24,301 | 3,946 | 20,355 |
| <i>NET INCOME MARGIN</i> | 11% | 1% | |
| ADJUSTED EBITDA | 42,480 | 43,540 | (1,060) |
| <i>ADJUSTED EBITDA MARGIN</i> | 19% | 14% | |

¹ Net operating expenses include selling and distribution, general and administrative, advertising and promotion, research and development and net other operating income/(expense).

SALES

In 2020, our consolidated revenue decreased by 85,757 million roubles or 28% mainly as a result of IPSCO disposal.

SALES BY REPORTING SEGMENTS ARE AS FOLLOWS

| Indicators | 2020 | 2019 | Change | Change |
|----------------------|-----------------|-----------------|-----------------|-------------|
| | thousand tonnes | thousand tonnes | thousand tonnes | % |
| Russia | 2,637 | 3,120 | (483) | (15) |
| America | - | 520 | (520) | (100) |
| Europe | 174 | 187 | (14) | (7) |
| TOTAL PIPE | 2,811 | 3,828 | (1,017) | (27) |
| | | RUB mln | RUB mln | % |
| Russia | 208,386 | 235,269 | (26,883) | (11) |
| America | - | 57,780 | (57,780) | (100) |
| Europe | 14,234 | 15,329 | (1,094) | (7) |
| TOTAL REVENUE | 222,621 | 308,378 | (85,757) | (28) |

SALES BY GROUP OF PRODUCTS ARE AS FOLLOWS

| Indicators | 2020 | 2019 | Change | Change |
|----------------------|----------------|-----------------|-----------------|-------------|
| | | thousand tonnes | thousand tonnes | % |
| Seamless pipe | 2,026 | 2,651 | (625) | (24) |
| Welded pipe | 785 | 1,177 | (392) | (33) |
| TOTAL PIPE | 2,811 | 3,828 | (1,017) | (27) |
| | | RUB mln | RUB mln | % |
| Seamless pipe | 166,262 | 221,031 | (54,770) | (25) |
| Welded pipe | 40,362 | 74,483 | (34,121) | (46) |
| TOTAL PIPE | 206,624 | 295,514 | (88,890) | (30) |
| Other operations | 15,997 | 12,863 | 3,134 | 24 |
| TOTAL REVENUE | 222,621 | 308,378 | (85,757) | (28) |

Russia. The division's revenue decreased by 26,883 million roubles or 11% year-on-year.

Revenue from sales of seamless pipe decreased by 16,150 million roubles. Negative effect of lower sales volumes was partially offset by better product mix.

Revenue from sales of welded pipe decreased by 15,056 million roubles mainly as a result of lower LDP sales, which also had a negative impact on product mix.

Revenue from other operations increased by 4,323 million roubles mainly as a result of TMK-YMZ acquisition, which sells steel bars, and higher billets sales.

Europe. In the European division revenue decreased by 1,094 million roubles or 7% year-on-year. Favorable currency translation effect was 1,464 million roubles. Excluding this effect revenue fell by 2,558 million roubles.

Revenue from sales of seamless pipe decreased by 2,516 million roubles as compared to the last year as a result of unfavorable market environment influenced by COVID-19 pandemic.

Revenue from other operations decreased by 46 million roubles as compared to previous year mostly as a result of lower billets sales.

GROSS PROFIT

In 2020, our consolidated gross profit decreased by 13,071 million roubles or 21% year-on-year and amounted to 48,570 million roubles. Gross profit margin was 22% compared to 20% in 2019.

GROSS PROFIT RESULTS BY REPORTING SEGMENTS ARE AS FOLLOWS:

| Indicators | 2020 | | 2019 | | Change RUB mln |
|---------------------------|---------------|--------------|---------------|--------------|-------------------|
| | RUB mln | % to revenue | RUB mln | % to revenue | |
| Russia | 47,040 | 23 | 55,382 | 24 | (8,342) |
| America | - | - | 2,983 | 5 | (2,983) |
| Europe | 1,530 | 11 | 3,276 | 21 | (1,746) |
| TOTAL GROSS PROFIT | 48,570 | 22 | 61,641 | 20 | (13,071) |

GROSS PROFIT RESULTS BY GROUP OF PRODUCTS ARE AS FOLLOWS

| Indicators | 2020 | | 2019 | | Change RUB mln |
|---------------------------|---------------|--------------|---------------|--------------|-------------------|
| | RUB mln | % to revenue | RUB mln | % to revenue | |
| Seamless pipe | 44,125 | 27 | 55,397 | 25 | (11,272) |
| Welded pipe | 3,292 | 8 | 5,628 | 8 | (2,336) |
| TOTAL PIPE | 47,417 | 23 | 61,025 | 21 | (13,608) |
| Other operations | 1,153 | 7 | 617 | 5 | 536 |
| TOTAL GROSS PROFIT | 48,570 | 22 | 61,641 | 20 | (13,071) |

Russia. The division's gross profit decreased by 8,342 million roubles. Gross profit margin was 23% compared to 24% in 2019.

Gross profit from sales of seamless pipe fell by 4,509 million roubles as a result of lower sales volumes, the negative effect of which was partially offset by improved product mix. Raw material prices also had a negative impact on our gross profit.

Gross profit from sales of welded pipe decreased by 4,431 million roubles as a result of significant drop in LDP sales volumes, which also had a negative impact on product mix.

Gross profit from other operations increased by 597 million roubles mainly as a result of TMK-YMZ acquisition, which sells steel bars, and higher billets sales.

Europe. Gross profit in the European division decreased by 1,746 million roubles or 53%. Favorable currency translation effect was 157 million roubles. Excluding this effect gross profit decreased by 1,903 million roubles. Gross profit margin amounted to 11% compared to 21% in 2019.

Gross profit from sales of seamless pipe fell by 1,909 million roubles as a result of unfavorable market environment. Gross profit was also affected by lower sales volumes.

Gross profit from other operations stayed almost flat as compared to 2019.

NET OPERATING EXPENSES

Net operating expenses were lower by 2,624 million roubles or 7%. The share of net operating expenses, expressed as a percentage of revenue, was 15% compared to 12% in 2019.

ADJUSTED EBITDA

In the third quarter 2020, the management changed the approach to the calculation of Adjusted EBITDA by including foreign exchange gains and losses on operations. The comparative information was adjusted accordingly. In 2020, adjusted EBITDA decreased by 1,060 million roubles or 2% as compared to previous year. Adjusted EBITDA margin was 19% compared to 14% in 2019.

| Indicators | 2020 | | 2019 | | Change RUB mln |
|------------------------------|---------------|--------------|---------------|--------------|-------------------|
| | RUB mln | % to revenue | RUB mln | % to revenue | |
| Russia | 41,950 | 20 | 40,055 | 17 | 1,895 |
| America | - | | 1,968 | 3 | (1,968) |
| Europe | 530 | 4 | 1,517 | 10 | (987) |
| TOTAL ADJUSTED EBITDA | 42,480 | 19 | 43,540 | 14 | (1,060) |

Russia. Adjusted EBITDA was higher by 1,895 million roubles as lower gross profit was offset by foreign exchange gain on operations. Adjusted EBITDA margin was 20% compared to 17% in 2019.

Europe. Adjusted EBITDA decreased by 987 million roubles as compared to 2019 following a decrease in gross profit, which was partially offset by lower operating expenses. Adjusted EBITDA margin amounted to 4% as compared to 10% in 2019.

IMPAIRMENT OF ASSETS

In the year ended December 31, 2020, we recognised the impairment loss of 5,216 million roubles compared to 6,246 million roubles loss in 2019.

FOREIGN EXCHANGE MOVEMENTS

In 2020, we recorded a foreign exchange gain in the amount of 8,288 million roubles as compared to a 2,098 million roubles gain in 2019.

NET FINANCE COSTS

In 2020, net finance costs decreased by 2,230 million roubles or 16%. The weighted average nominal interest rate was 6.07% as of 31 December 2020 as compared to 6.95% as of 31 December 2019.

CASH FLOWS

The following table presents our cash flows

| Indicators | 2020 | 2019 | Change |
|---|-----------------|---------------|----------------|
| | | RUB mln | RUB mln |
| Cash provided by operating activities before working capital changes | 34,305 | 42,636 | (8,331) |
| Decrease/ (increase) in inventories | (2,668) | (3,197) | 529 |
| Decrease/ (increase) in settlements with customers | 46,128 | 406 | 45,722 |
| Increase/ (decrease) in settlements with suppliers | (21,601) | 2,588 | (24,189) |
| Income tax paid | (7,512) | (4,425) | (3,087) |
| Net cash provided by operating activities | 48,652 | 38,008 | 10,644 |
| Payments for property and equipment | (10,524) | (14,183) | 3,659 |
| Acquisition of subsidiaries | (14,439) | | (14,439) |
| Other investments | 55,106 | (9,308) | 64,414 |
| Free Cash Flow | 78,795 | 14,517 | 64,278 |
| Change in loans | (1,426) | (3,312) | 1,886 |
| Interest paid | (12,698) | (14,153) | 1,455 |
| Other financing activities | (22,498) | 2,113 | (24,611) |
| Free Cash Flow to Equity | 42,173 | (835) | 43,008 |
| Dividends paid | (3,259) | (2,736) | (523) |
| Effect of exchange rate changes | 11,998 | (1,526) | 13,524 |
| Cash and cash equivalents at the beginning of period | 22,124 | 27,221 | (5,097) |
| Cash and cash equivalents at period end | 73,036 | 22,124 | 50,912 |

Cash provided by operating activities before working capital changes decreased by 8,331 million roubles and amounted to 34,305 roubles million. The positive cash flow from working capital changes was 21,859 million roubles in 2020 as compared to a negative cash flow in the amount of 203 million roubles in 2019. Working capital change in 2020 was mainly attributable to an increase in advances from customers.

Net repayment of borrowings amounted to 1,426 million roubles as compared to net repayment in the amount of 3,312 million roubles in 2019.

Cash and cash equivalents at the end of the period amounted to 73,036 million roubles as compared to 22,124 million roubles at the end of 2019.

INDEBTEDNESS

Our total debt increased to 199,075 million roubles as of 31 December 2020 from 186,058 million roubles as of 31 December 2019. Net repayment of borrowings in 2020 was 1,426 million roubles. The increase in debt was a result of the rouble depreciation against the U.S. dollar. Our Net debt amounted to 98,674 million roubles as compared to 154,931 million roubles as of 31 December 2019.

As of 31 December 2020, our debt portfolio comprised diversified debt instruments, including bank loans, bonds and other credit facilities. As of 31 December 2020, the U.S. dollar-denominated portion of our debt represented 20%, Rouble-denominated portion of debt represented 75%, euro-denominated portion of debt represented 5% of our total debt.

The share of our short-term debt was 37% as of 31 December 2020 compared to 45% as of 31 December 2019.

As of 31 December of 2020, our weighted average nominal interest rate decreased by 88 basis points to 6.07% compared to 31 December 2019.

OUR MOST SIGNIFICANT CREDIT FACILITIES AS OF 31 DECEMBER 2020 WERE AS FOLLOWS

| Type of borrowing | Bank | Original currency | Outstanding principal amount | Maturity period |
|-----------------------------------|-------------|-------------------|------------------------------|-----------------|
| | | | RUB mln | |
| Eurobonds | | USD | 36,938 | February 2027 |
| Loan | Gazprombank | RUR | 20,000 | August 2025 |
| Loan | Sberbank | RUR | 14,000 | October 2023 |
| Loan | VBRR | RUR | 12,500 | July 2022 |
| Loan | Gazprombank | RUR | 11,200 | March 2022 |
| Bonds | | RUR | 10,000 | May 2021 |
| Bonds | | RUR | 10,000 | April 2022 |
| Loan | VTB | RUR | 9,000 | March 2022 |
| Loan | Alfa-Bank | RUR | 6,000 | July 2021 |
| Loan | Sberbank | RUR | 6,000 | December 2021 |
| | | | 135,638 | |
| Other credit facilities | | | 63,990 | |
| Unamortised debt issue costs | | | (553) | |
| TOTAL LOANS AND BORROWINGS | | | 199,075 | |

DEVELOPMENT TRENDS

In Russia, we expect demand for OCTG pipe from oil and gas companies to remain stable, supported by continued development of their existing and new projects, as well as increased complexity of hydrocarbons production in Russia.

In Europe, we expect consumption of industrial pipe to recover gradually after the lifting of massive COVID-19 lockdowns and due to implemented government measures to support industrial companies in the eurozone countries.

SELECTED FINANCIAL DATA

ADJUSTED EBITDA

RECONCILIATION OF INCOME BEFORE TAX TO ADJUSTED EBITDA FOR THE 12 PREVIOUS MONTHS,
RUB MLN

| Indicators | 31 December 2020 | 30 September 2020 | 30 June 2020 | 31 March 2020 | 31 December 2019 |
|---|---------------------|----------------------|-----------------|------------------|---------------------|
| Income before tax | 30,358 | 27,701 | 21,400 | 25,448 | 6,027 |
| Depreciation and amortisation | 12,651 | 11,750 | 11,706 | 11,805 | 13,282 |
| Finance costs, net | 11,874 | 12,350 | 13,174 | 13,901 | 14,104 |
| Impairment of assets | 5,216 | 11,373 | 10,986 | 10,673 | 6,246 |
| Foreign exchange (gain)/loss, net | (8,288) | (9,772) | (3,838) | (2,027) | (2,098) |
| Foreign exchange gain/(loss) from operations | 6,942 | 8,223 | 2,787 | 5,388 | (597) |
| Loss/(gain) on disposal of property, plant and equipment | 347 | 797 | 862 | 783 | 898 |
| Movement in allowances and provisions (except for provisions for bonuses) | 5,679 | 5,102 | 4,575 | 4,813 | 2,848 |
| Gain on disposal of subsidiaries | (23,870) | (23,864) | (23,895) | (26,552) | 13 |
| Other non-operating income/(expenses) | 1,671 | 2,040 | 2,344 | 2,473 | 2,555 |
| (Gain)/losses from associates | (100) | (59) | (2) | 38 | 263 |
| ADJUSTED EBITDA | 42,480 | 45,641 | 40,099 | 46,743 | 43,541 |

In the third quarter 2020, the management changed the approach to the calculation of Adjusted EBITDA by including foreign exchange gains and losses on operations. The comparative information was adjusted accordingly. We believe that this approach objectively reflects our results against high volatility in foreign exchange markets.

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; and
- 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

| Indicators | 31 December 2020 | 30 September 2020 | 30 June 2020 | 31 March 2020 | 31 December 2019 |
|--|---------------------|----------------------|-----------------|------------------|---------------------|
| Loans and borrowings less interest payable | 199,075 | 205,872 | 183,327 | 218,209 | 186,058 |
| Net of: | | | | | |
| Cash and short-term financial investments ¹ | (100,401) | (97,175) | (80,230) | (109,658) | (31,127) |
| NET DEBT | 98,674 | 108,697 | 103,097 | 108,551 | 154,931 |
| NET DEBT TO EBITDA (LTM²) | 2.32 | 2.38 | 2.57 | 2.32 | 3.56 |

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.

¹ Cash and short-term financial investments include Cash and cash equivalents, Other financial assets, short-term loans issued and the bank promissory notes with a maturity more than 1 year.

² 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».