

LETTER TO SHAREHOLDERS

Dear Shareholders,
Dear Friends,

The year 2020 was a tough time as we faced multiple challenges. Primarily, the emergence of a real threat to the safety and health of our people, associated with the COVID-19 pandemic, as well as the global decline in business activity, declining demand triggered by lockdowns, and the related negative impacts on the social and economic collective wellbeing as well as people's lives in all countries around the world, including in the regions in which we operate.

However, TMK has stepped up to all of these challenges. The Company's board and management team demonstrated real ingenuity in navigating the crisis, as well as maximum flexibility and smart decision-making, as we took swift action to pivot our operations, protect our people against the coronavirus and provide meaningful support to authorities and social infrastructure facilities across our footprint. This was largely achieved thanks to the strategic direction of the business that TMK has pursued since long before the pandemic.

This vision puts people at the heart of our business, seeking to fully unlock their potential within the Company. It includes business transformation enabled by digital technology and the adoption of best management practices, a focus on growing our research and technical capabilities and fostering innovation, a strategy of ramping up our production of high-tech products and our unique range of premium connections, and finally, the consistent build-out of our people's professional competencies and digital skills through the training and development programmes delivered by TMK2U Corporate University.



Dmitry Pumpyanskiy

Chairman of PAO TMK's
Board of Directors

As a result, despite the fact that 2020 tested us all, we demonstrated strong operational and financial performance, not only in the Russian pipe industry but also globally. We have become an industry leader in both operational excellence and financial efficiency, improving our position in key business segments and further reducing our debt level.

TMK retained its status of being the world's largest steel pipe manufacturer in 2020, shipping more than 2.8 million tonnes of products to its customers over the year. The Company also strengthened its position in the Russian pipe market, growing its share from 22.7% in 2019 to 23.3% in 2020. We have also delivered a strong performance across our key segments of OCTG and seamless industrial pipe. During the year, TMK successfully promoted its high-tech products, including pipes with premium connections designed for use in aggressive environments and in more difficult oil and gas fields. Demand for these products remained steady, despite the challenging market conditions.

We also integrated a number of new production assets in 2020, including Yartsevsky Metzavod, focused on producing long products, as well as Rakityansky Armaturny Zavod and other assets within Truby 2000 Group, which manufactures equipment and pipework for nuclear power plants. Both deals are aligned with TMK's long-term strategy of diversifying the Company's product portfolio and integrating complementary assets to provide a full spectrum of services to customers and increase the depth and breadth of our product offering.



Igor Korytko

CEO of PAO TMK

As part of our 2020 investment programme, we implemented a number of significant projects to upgrade production facilities at TMK plants. Seversky Pipe Plant launched a new heat treatment facility with an annual capacity of up to 300 thousand tonnes of pipe. Volzhsky Pipe Plant launched the active implementation phase of its technical development project for pipe rolling shop No. 2. Sinarsky Pipe Plant has continued projects to increase the output of OCTG and completed the reconstruction project for its Volochilnaya main step-down substation No. 3. At Taganrog Metallurgical Works (TAGMET), advanced pipe threading machines were put into operation, and progress was made on a project to commission a new upsetting press.

In parallel with our modernization drive, in 2020, we continued efforts to protect the environment and reduce our environmental footprint by implementing a range of projects to maintain the environmental well-being within the regions in which we operate.

In 2020, we also launched TMK's Digital Production programme, its key projects being the rollout of an integrated planning system (IPS) and manufacturing execution system (MES). Another highlight of 2020 was the adoption of TMK's 2025 Digital Vision. As part of its efforts to deliver the vision, the Company established centers of excellence for robotic process automation (RPA), chatbots, computer vision, and digital twins. We are developing and implementing a number of initiatives in big data, machine vision, augmented and virtual reality (AR/VR), blockchain and other technologies.

And finally, TMK has successfully continued to build out its R&D capabilities and develop innovative products despite COVID-19 restrictions. The past year was a real breakthrough for our R&D facility in Skolkovo: for the first time in Russia, it conducted full-scale tests of premium tubular products – the TMK UP CENTUM quick-assembly threaded connection – in accordance with the standards of the International Organization for Standardization (ISO). This is a clear success which will accelerate time-to-market for our new solutions and become a key driver for the export potential of our products.

Dear friends, 2021 will be a special year for TMK as we are going to celebrate the Company's 20th anniversary. We have entered this milestone year with confidence and the awareness that we emerged from all the trials of 2020 a stronger company than we were before. We are confident that the developments of 2020 and 2021 will have a profound and lasting impact on business, and that TMK will be at the forefront of these changes, leveraging the latest technologies to successfully transform and grow.

¹ Manufacturing Execution System.