

STRATEGY AND PRINCIPAL ACTIVITIES

PROGRESS REPORT ON THE STRATEGY APPROVED IN SEPTEMBER 2017 BY PAO TMK'S BOARD OF DIRECTORS IN 2020

STRATEGIC PRIORITIES

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01
Enhancing leadership in key segments and entering new product niches
- 

02
Optimizing vertical integration to reduce costs and develop product and service ranges
- 

03
Enhancing the sales platform and leveraging TMK's global scale
- 

04
Focus on innovation and digitalization
- 

05
Enhancing operational excellence
- 

06
Strengthening financial performance and investment appeal

KEY 2020 HIGHLIGHTS

- No. 1 globally by total shipments of tubular products in 2020.
- 14%¹ TMK's share in the global seamless OCTG market.
- Leader in the Russian market of oil country tubular goods.
- Premium pipe shipments reached an all-time high.
- TMK signed an agreement for integrated supplies of tubular products to Amur Gas Chemical Complex, one of the world's largest polymer production enterprises. Previously, pipes for construction of gas and petrochemical facilities of such a scale in Russia were mainly supplied by foreign manufacturers.
- In November, Orsky Machine Building Plant, TMK's subsidiary and a high-tech producer of gas cylinders (high-pressure vessels) for storage and transportation of various gases, manufactured its 260 thousandth gas cylinder. Since 2013, all of the plant's metal cylinders are produced from TMK's seamless pipe and can be used for various purposes.
- TMK acquired controlling stakes in several enterprises under LLC Truby 2000, one of Russia's leading manufacturers of nuclear piping systems. This acquisition will expand cooperation with State Atomic Energy Corporation Rosatom and boost TMK's production capabilities in nuclear piping.
- New stage in the development of pipe-specific services.
- TMK's sales unit launched the Digital Heart of Sales project to implement a CRM system based on SAP Sales Cloud. The solution includes two modules. New products will be integrated into TMK's existing information systems, enabling rapid exchange of information on customers, orders, production planning and shipments. In addition, the system will be synchronized with email and TMK's eTrade online store.
- Further development of the eTrade online store: availability of pipes in stock for buyers in Kazakhstan from TMK-Kazakhstan production site; product range expanded by TMK-INOX's stainless pipes; refreshed design of the online store, including a new chatbot; integration of the online store and the new sales CRM-system.
- The Transformation Committee developed and approved TMK's 2025 Digital Vision, which aims at rolling out the Industry 4.0 digital technology.
- TMK's Digital Production programme was launched, which comprises six projects covering all operating processes.
- A number of major projects are in progress: electronic document management, integrated planning system, cloud-based data center, ERP system, electronic archive, automation of health checks, etc.
- The Mobi2U mobile app is being actively developed.
- The SOTA2U online HR platform is being deployed.
- In November, TMK fully revamped its corporate website.
- Continuing a number of initiatives to increase the reliability of technology.
- Continuing to foster a lean production culture and implement a continuous improvement system.
- Implementing the consolidated efficiency programme.
- Implementing the Program to Improve Energy Efficiency and Fuel and Energy Saving.
- Environmental protection expenditures amounted to about RUB 2.3 billion.
- 22 investments were made to reduce the business' environmental impact.
- 28% year-on-year reduction in accident frequency rate.
- The Group's adjusted EBITDA margin increased by 5 p.p. year-on-year to 19% in 2020.
- The Russian division's adjusted EBITDA margin increased by 3 p.p. year-on-year to 20% in 2020.
- Net debt/adjusted EBITDA ratio was 2.32x compared to 3.56x in 2019.

¹ TMK's estimates based on 2020 results.

STRATEGIC OBJECTIVES



Operations

Solidify TMK's leadership in key product segments in both Russian and global markets

Maintain a strong financial position on par with global leading pipe producers, maximizing operating cash flow and optimizing the asset portfolio



Strategy

Expand and optimize TMK's production capacities, including through alliances, partnerships and acquisitions

Enhance long-term partnerships with key customers to implement joint projects in new oil and gas-producing regions

Adopt breakthrough technology and services to improve product quality and cut costs

Develop comprehensive design solutions for customers using cutting-edge digital technology



ESG

Improve occupational safety – a zero injury rate objective

Reduce emissions to meet global best industry standards, improve operating energy efficiency and waste management

Deploy new technology and products to develop modern environmentally friendly energy sources and other promising areas

Adhere to best corporate governance practices



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R&D

07

Strengthening financial performance and investment appeal

In November 2020, TMK's Board of Directors approved the revised TMK Group Strategy to 2027, with strategic goals and priorities adapted to the new business environment and challenges of today's global economy. The Strategy was revised to develop TMK Group's competitive advantages, improve operational efficiency and resilience in any market environment, as well as maintain its commitment to sustainability principles.

MISSION

Be a responsible global supplier of environmentally efficient and safe solutions for consumers of steel pipes while increasing shareholder value, maintaining an environmental balance, improving living standards in the regions of operation and implementing comprehensive measures to improve working conditions and occupational safety for our employees.