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PRESS RELEASE

## TMK Announces First Nine Months Production Results and Confirms 2008 Expectations

*The following contains forward looking statements concerning future events. Forward looking statements are based on current information and assumptions of tmk management concerning known and unknown risks and uncertainties. Preliminary financial figures have not been audited and can differ from actual results.*

OAO TMK ("TMK" or "the Company"), one of the world's largest oil and gas pipe producers, and the market leader of the Russian pipe industry, today announces its production results for the nine month period ended 30th September 2008 and provides the following trading update for 2008 estimated results.

For the first 9 months of 2008, TMK shipped<sup>1</sup> 2,436 thousand tonnes of steel pipes, representing a 5.3% increase compared to the first nine months of 2007.

### Volumes of shipped pipe products

(thousands of tonnes)

| Product           | First 9 months<br>2008 | First 9 months<br>2007 | Change,% |
|-------------------|------------------------|------------------------|----------|
| Seamless pipes    | 1,517                  | 1,543                  | -1.7%    |
| including<br>OCTG | 748                    | 724                    | +3.3%    |
| Welded pipes      | 919                    | 770                    | +19.4%   |
| Total of pipes    | 2,436                  | 2,313                  | +5.3%    |

The growth in shipment volumes was mainly attributable to an increase in pipe production brought on by the acquisition of the U.S. IPSCO Tubular assets, which further improved TMK's product mix and resulted in growth of

<sup>1</sup> "Shipped" refers to the pipes shipped from TMK plants for subsequent sale to customers.  
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OCTG seamless pipes. With this acquisition we also expanded our product offering and substantially improved our positions in the welded OCTG and line pipe segments.

Although the stoppage of Tagmet Pilger capacity, necessary to install a new PQF mill, negatively affected total seamless pipe shipments, the Company managed to increase shipments of high added-value seamless OCTG.

## **Trading Update**

TMK expects fourth quarter seamless and large-diameter welded shipment volumes to increase as a result of Tagmet's new PQF mill commissioning, the installation of Volzhsky's longitudinal thick-walled LDW mill and the launch of threading and heat-treatment capacities at both these mills.

We believe that the commissioning of Volzhsky's new 650 thousand tonne capacity large-diameter longitudinal pipe mill, which already qualified with Transneft, will give TMK additional competitive advantages in future large-diameter pipes tenders. The Russian large-diameter pipeline network remains in dire condition with an estimated 75% of oil pipelines and 40% of gas pipelines over 20 years old. We believe that large diameter pipe demand will revive starting from the fourth quarter this year when we expect to start supplying pipes for a number of big projects, including the Turkmenistan–China pipeline, the Begdash–Beyneu pipeline (Turkmenistan and Kazakhstan), and Turkmengas pipeline projects.

We continue to see strong demand on the Russian seamless pipe market, especially in the seamless OCTG segment. Overall, despite major reconstruction at Tagmet and some slowdown in the LDW segment, TMK strengthened its dominant position in Russia by taking an additional 2% of the pipe market and increasing its total market share to 25.5%.

The first six months of 2008 proved challenging for the Company. The sharp increase in TMK's input costs applied downward pressure on financials. However, the prices for our major inputs started to decline in the end of the 3rd quarter. Prices for scrap, our major input for seamless pipe production, already fell by as much as 30% from their peak over the summer, while prices for steel billets and coils went down by 15-20%. We expect current steel price trends to positively impact our fourth quarter financial results given that we plan to maintain pipe prices at levels achieved this year.



As a result TMK maintains its forecast and expects 2008 EBITDA, excluding TMK IPSCO, not to be lower than in 2007. With TMK IPSCO consolidated from June 12, 2008, EBITDA is expected to come in at around USD 1.15 - 1.2 billion for FY2008. EBITDA margin is expected to recover in the second half, resulting in 2008 full year EBITDA margin in the area of 20%.

On June 12th, TMK finalised its acquisition of 100% of share capital in IPSCO Tubulars Inc. and 51% of share capital in NS Group Inc. for approximately 1.25 billion USD. Comprised of ten production sites, the assets were subsequently renamed TMK IPSCO.

As a result of the IPSCO acquisition and TMK's ambitious investment programme, now in its peak year, total debt as of June 30 2008, stood at USD 3.1 billion or somewhat above 2.5x expected 2008 EBITDA. TMK plans to considerably reduce its leverage primarily through organic EBITDA growth, free cash flow increase and the consolidation of IPSCO assets. TMK targets a debt to EBITDA ratio over the medium-long term of 2.0x, believed to be achievable by 2009 year-end.

**TMK** ([www.tmk-group.com](http://www.tmk-group.com))

TMK (LSE: TMKS) is the largest pipe producer in Russia and one of the three global market leaders.

In 2007, TMK shipped over 3 million tonnes of pipes. TMK supplies to companies in more than 60 countries.

TMK production facilities are located in Russia, the United States, Romania and Kazakhstan

- Volzhsky Pipe Plant
- Seversky Tube Works
- Taganrog Metallurgical Works
- Sinarsky Pipe Plant
- TMK IPSCO
- TMK-Resita SA
- TMK-Artrom SA
- TMK-Kaztrubprom
- TMK Oilfield Services
- TMK-Premium Service

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