



February 3, 2009

PRESS RELEASE

## TMK Preliminary Results for 2008

*This trading update 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. TMK will present audited IFRS full year 2008 results in April 2009.*

OAQ 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 provides the following trading update in advance of the publication of its preliminary results for the year ended 31st December 2008, which will be announced in April 2009.

This past year, one of the most volatile and challenging for the tubular industry, will be remembered as a turnaround year for TMK. The Company successfully completed all of its planned investment projects, improved its financial performance and became a truly global company following the acquisition of production assets in the United States, the world's largest tubular market. These high-points were achieved despite the unprecedented increases in commodity prices observed in the first half, the impact of the global financial crisis on demand in certain pipe segments and the necessary stoppage of production facilities, essential to modernise seamless and large-diameter pipe production. TMK finished 2008 with positive results, the Company increased its presence in global markets and launched state-of-the-art production technology, allowing it to broaden and improve its product mix. Additionally, the Company successfully restructured its debt portfolio following the acquisition of IPSCO Tubulars Inc., a stable financial position being especially important in this period of global financial instability.

Despite oil prices falling in the second half of 2008, Russian demand for seamless OCTG and line pipe remained stable while the North American OCTG and line pipe market grew by about 8% in 2008. Driven by strong demand, prices in these segments showed resilience despite the sharp drop in metal prices in the second half of the year. Compared to 2007, pipe prices in Russia and the U.S. increased between 10-20 % and 70-80% respectively, depending on the type of pipe.

Favourable raw material prices in the second half of the year partly offset the negative effects of the global financial crisis and weakening demand in the seamless and welded industrial pipe segments. Compared to the third quarter of 2008, the Russian industrial pipe market fell by 50% in the fourth quarter with prices falling 15% from their August peak.

With its strong focus on the oil and gas industry, TMK fared better than other companies in the pipe and metallurgical sector as the industrial pipe market deteriorated in the second half of the year. As a result, TMK expects to once again improve its year-on-year financial performance. For 2008, consolidated revenues are expected to be about USD 5.8 billion while 2008 EBITDA adjusted for FX changes and non-cash items is to exceed USD 1 billion.

As mentioned, 2008 was a year of significant change for TMK. The successful completion of major investment projects significantly broadened the Company's product mix and strengthened its market positions in Russia and internationally. TMK further expanded geographically as it entered the U.S. pipe market, accounting for almost half of global demand, with the acquisition of IPSCO production assets. At the same time, TMK continued to develop its premium class product offering and was awarded a series of supply contracts from oil and gas majors, further evidence to the progress realised in this high-tech product segment.



Given the current trends in the global economy, TMK expects pipe demand to decrease in 2009. In the first half of 2009, the Russian seamless OCTG and line pipe markets are expected to decline by 10 to 15%. In the first quarter of 2009, the Company sees pipe prices in Russia declining some 20% over Q4 2008 prices before levelling out.

North American spending for exploration and production is expected to decline by 25-30% and this correction will affect the OCTG and line pipe markets; North American pipe prices are determined by a number of market-specific factors and even when considering worst- case scenarios, TMK does not expect 2009 prices to dip below beginning of year 2008 prices.

Despite the negative trends in the global economy, the Company expects demand for large-diameter pipes in Russia to grow by 10-15% in 2009 providing that demand from ongoing projects materializes in firm orders. Such projects include the Bovanenkovo–Ukhhta, and Nord Stream gas pipelines as well as the Sakhalin-Khabarovsk-Vladivostok, Baltic Pipeline System-2 and Dzhubga-Lazarevskoye-Sochi systems.

TMK expects industrial pipe demand to remain weak during the first half of the year, affected by the economic situation and the drop of activity observed in the construction and engineering sectors.

The Company expects to keep production volumes in 2009 thanks in part to the consolidation of IPSCO tubular assets and the successful commissioning of new equipment in 2008 which enhanced TMK's market positions in Russia and North America. Lower raw material prices for welded and seamless pipe production coupled with a technologically superior product mix will help the margins in 2009.

**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 2008, TMK shipped over 3.2 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

**For further information please contact:**

**TMK IR Department**

Alexei Ratnikov

Tel: +7 495 775 7600 ext. 2078

Email: [IR@tmk-group.com](mailto:IR@tmk-group.com)



**TMK PR Department**

Alexey Sotskov

Tel: +7 495 775 7600 ext. 2125

Email: [PR@tmk-group.com](mailto:PR@tmk-group.com)