



**October 29, 2013**

**Press Release**

## **TMK Announces 9M 2013 Operational Results**

*The following contains forward looking statements concerning future events. These forward looking statements are based on current information and assumptions of TMK management concerning known and unknown risks and uncertainties.*

TMK (LSE: TMKS), a leading global manufacturer and supplier of steel pipes for the oil and gas industry, announces its operational results for nine months of 2013.

### **3Q 2013 and 9M 2013 Highlights**

- TMK shipped a total of 3,200 thousand tonnes of steel pipe to customers in the first nine months of 2013, up 1.7% year-on-year, on the back of stronger demand for welded OCTG pipe and large diameter pipe (LDP). Shipments fell by 2.1% quarter-on-quarter.
- Seamless pipe shipments fell by 2.8% year-on-year to 1,807 thousand tonnes in the first nine months of 2013. Shipments fell by 9.0% quarter-on-quarter to 563 thousand tonnes due to scheduled repair of rolling mills at Seversky Tube Works and Volzhsky Pipe Plant.
- Welded pipe shipments rose by 8.3% year-on-year up to 1,393 thousand tonnes in the first nine months of 2013, mainly driven by increasing demand for LDP and line pipe from Russian customers as well as welded OCTG in the USA. Compared to the second quarter of 2013, the third quarter welded pipe shipments were up by 7.1%.
- Total OCTG shipments, TMK's core product, increased by 4.2% year-on-year, but were down 4.1% quarter-on-quarter.
- Shipments of premium connections totalled 573 thousand joints in the first nine months of 2013, up 22.7% year-on-year. Shipments were down 1.9% quarter-on-quarter.



### 3Q 2013 and 9M 2013 Summary Results

(thousand tonnes)

Product	3Q 2013	2Q 2013	Q-o-Q, %	9M 2013	9M 2012	Y-o-Y, %
Seamless Pipe	563	619	-9.0%	1,807	1,860	-2.8%
Welded Pipe	497	464	7.1%	1,393	1,286	8.3%
<b>Total</b>	<b>1,060</b>	<b>1,083</b>	<b>-2.1%</b>	<b>3,200</b>	<b>3,146</b>	<b>1.7%</b>
<i>including OCTG</i>	445	464	-4.1%	1,343	1,290	4.2%

### 3Q 2013 and 9M 2013 Market Overview and Performance by Division

#### *Russian Division*

In the first nine months 2013, TMK's Russian division shipped 2,239 thousand tonnes<sup>1</sup>, up 1.9% year-on-year. Shipments fell by 2.9% to 731 thousand tonnes quarter-on-quarter.

In the first nine months of 2013, LDP shipments totalled 350 thousand tonnes, up 12% year-on-year, but down 7.0% quarter-on-quarter, mainly due to some pipeline projects being finalised in the first half of 2013 and, for new projects, postponed to a later date.

Due to ever increasing oilfield-to-storage transportation demands in Russia, TMK's Russian division saw a rise in welded line pipe shipments by 24.4% year-on-year and by 14.5% quarter-on-quarter while shipments of seamless OCTG pipe remained almost flat year-on-year but down 10.2% quarter-on-quarter as a result of the scheduled repair of rolling mills at the Russian plants mentioned above.

Shipments in the welded and seamless industrial pipe segments were in line with the previous year but increased quarter-on-quarter by 25.8% and 8.0%, respectively, driven by a rising demand from the machine building and construction industries in the third quarter of 2013.

<sup>1</sup> This includes shipments from TMK's Russian facilities, TMK-Kaztrubprom and TMK GIPI to the Russian, CIS and non-CIS markets (excluding the North American market).



### *American Division*

TMK's American division shipped 848<sup>2</sup> thousand tonnes in the first nine months of 2013, up 1.4% year-on-year, and 294 thousand tonnes in the third quarter of 2013, which is slightly above the second quarter results. Shipments of premium connections and OCTG also improved quarter-on-quarter by 7% and 4%, respectively.

Commodity prices experienced in the second quarter of 2013 influenced the Baker Hughes rig activity in the third quarter. Higher gas prices in the second quarter saw the U.S. natural gas rig count increase 6% in the third quarter of 2013 compared to the second quarter of 2013 whereas lower crude oil prices in the second quarter were reflected in a slight decline in oil rig count by 1%, netting a third quarter average rig count of 1,770 in 2013, up 1% quarter-on-quarter. Year-on-year the U.S. rig count was down 7% from an average of 1,906 for the third quarter of 2012. In the third quarter of 2013, the vertical rig count continued to slowly decline to 25% of the total U.S. rig count, as directional and horizontal rigs together amounted to 75% of the total rig count, up 3% year-on-year. More horizontal and directional drilling helps support OCTG consumption despite a lower rig count. The trend of improving drilling efficiencies continued as operators drilled more wells in less time and at greater depths.

Market demand for industrial products has remained stable compared to prior quarter, but down from a year ago. Total import volumes have increased quarter-on-quarter, but are lower than last year. Latest market reports show OCTG import volumes have not significantly changed since the filing of the trade case against nine countries.

### *European Division*

In the third quarter of 2013, the European market environment continued to be challenging. The shrinking number of active projects coupled with investor pessimism resulted in lower consumption of tubular goods while also putting negative pressure on prices for industrial pipe.

However, shipments in TMK's European division remained almost flat year-on-year at 113 thousand tonnes and fell by 8.4% quarter-on-quarter to 35 thousand tonnes.

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<sup>2</sup> This includes products manufactured by TMK's Russian and Romanian facilities and sold on the North American market.



## **Premium Segment**

In the reporting period, overall demand for TMK's premium connections continued to grow. TMK shipped a total of 573 thousand joints, up 22.7% year-on-year, but down 1.9% quarter-on-quarter.

In the USA shipments of TMK's premium connections continued to increase as operators look for better performance than API connections in drilling non vertical wells.

TMK's premium products were first used in Russia in a hydraulic fracturing project, with TMK acting as a supplier of tubular goods (tubing and coupling with TMK FMT premium connections) and related services at the Davydovskoye oil field operated by Orenburgneft, a Rosneft subsidiary. In August 2013, TMK's casing pipes with TMK PF premium connections were qualified by ONGC, India's state oil and gas company, and ADCO, one of the largest oil companies in the Middle East.

## **Outlook**

The Company confirms the earlier announced expectations that the Russian division will continue to see a strong demand for OCTG and line pipe until the end of 2013 as Russian oil and gas players fulfill their production plans.

The Company maintains its positive long-term U.S. market outlook. TMK expects the challenging pricing environment to continue through the end of the year as import inventories continue to apply downward pressure on prices. The positive preliminary decision in the OCTG trade case announced August 16 and subsequent price increases are expected to begin to be reflected in improving transaction prices in Q4 and carryover into Q1 2014.

In general, the Company confirms its cautiously positive outlook for the physical volumes in the current year and expects 2013 shipments to be at least the same as in 2012.

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*For further information regarding TMK please visit [www.tmk-group.com](http://www.tmk-group.com) or download the YourTube iPad application from the App Store <https://itunes.apple.com/ru/app/yourtube/id516074932?mt=8&ls=1>*

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



TMK (LSE: TMKS) is a leading global manufacturer and supplier of steel pipes for the oil and gas industry, operating 28 production sites in the United States, Russia, Canada, Romania, Oman, UAE, and Kazakhstan and two R&D centers in Russia and the USA. In 2012, TMK's pipe shipments totaled 4.22 million tonnes. The largest share of TMK's sales belongs to high margin oil country tubular goods (OCTG), shipped to customers in over 80 countries. TMK delivers its products along with an extensive package of services in heat treating, protective coating, premium connections threading, warehousing and pipe repairing.

TMK's securities are listed on the London Stock Exchange, the OTCQX International Premier trading platform in the U.S. and on the Moscow Exchange MICEX-RTS.

*TMK's production assets structure:*

- Russian division:
  - Volzhsky Pipe Plant;
  - Seversky Tube Works;
  - Taganrog Metallurgical Works;
  - Sinarsky Pipe Plant;
  - TMK-CPW;
  - TMK-Kaztrubprom;
  - TMK-INOX;
  - TMK-Premium Service;
  - TMK Oilfield Services.
- American division:
  - 12 plants of TMK IPSCO;
  - OFS International LLC.
- European division:
  - TMK-ARTROM;
  - TMK-RESITA.
- Middle East Division:
  - TMK GIPI (Oman);
  - Threading & Mechanical Key Premium LLC (Abu-Dhabi).

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