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**PRESS RELEASE**

## **TMK Announces 1H 2014 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, one of the world's leading producers of tubular products for the oil and gas industry, announces its operational results for the first half of 2014.

### **2Q 2014 and 1H 2014 Highlights**

- In the first half of 2014, TMK shipped a total of 2,056 thousand tonnes of steel pipe, down 3.9% and up 1.2% year-on-year and quarter-on-quarter, respectively.
- Seamless pipe shipments fell by 1.3% year-on-year to 1,227 thousand tonnes and by 3.9% quarter-on-quarter to 601 thousand tonnes.
- Welded pipe shipments dropped by 7.6% year-on-year to 829 thousand tonnes due to lower demand for welded line pipe and large diameter pipe (LDP). In the second quarter, welded pipe shipments were up 9.3% quarter-on-quarter.
- Total shipments of OCTG pipe, TMK's core product, reached 971 thousand tonnes, up 8.1% year-on-year, but down 2.1% quarter-on-quarter.
- Shipments of premium connections amounted to 404 thousand joints, up 9.2% and 9.5% year-on-year and quarter-on-quarter, respectively.



## 2Q 2014 and 1H 2014 Summary Results

(thousand tonnes)

Product	2Q 2014	1Q 2014	Q-o-Q, %	1H 2014	1H 2013	Y-o-Y, %
Seamless pipe	601	626	-3.9%	1,227	1,244	-1.3%
Welded pipe	433	396	9.3%	829	897	-7.6%
<b>Total</b>	<b>1,034</b>	<b>1,022</b>	<b>1.2%</b>	<b>2,056</b>	<b>2,140</b>	<b>- 3.9%</b>
including OCTG	480	491	-2.1%	971	898	8.1%

## 2Q 2014 and 1H 2014 Market Overview and Performance by Division

### *Russian Division*

In the first half of 2014, TMK's Russian Division shipped 1,381 thousand tonnes<sup>1</sup> of tubular products, down 8.4% year-on-year, but up 2.5% quarter-on-quarter (699 thousand tonnes in 2Q).

Seamless pipe shipments were down 5.7% year-on-year to 888 thousand tonnes, and 4.3% quarter-on-quarter to 434 thousand tonnes.

Shipments of seamless OCTG pipe rose by 3.9% year-on-year to 537 thousand tonnes, while dropping by 2.4% quarter-on-quarter to 265 thousand tonnes due to reduced oil and gas drilling across Russia.

Shipments of seamless line pipe fell by 18.4% year-on-year to 213 thousand tonnes and by 2.4% quarter-on-quarter. The decrease was due to postponing of several trunk pipeline construction and related infrastructure projects.

As a result of lower demand from engineering companies, shipments of seamless industrial pipe went down by 16.1% year-on-year to 138 thousand tonnes and 15.2% quarter-on-quarter to 58 thousand tonnes.

The decline in welded pipe shipments by 12.8% to 493 thousand tonnes in the first half of 2014 is attributable to lower demand for welded line pipe and large diameter pipe (LDP) in the first quarter. LDP shipments were up 25%

<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).



quarter-on-quarter to 96 thousand tonnes due to the launch of several pipeline projects (Bovanenkovo-Ukhta, Southern Corridor, others.). In the second quarter of 2014, welded line and industrial pipe shipments amounted to 77 and 91 thousand tonnes, up 9.7% and 21.3% quarter-on-quarter, respectively.

### *American Division*

In the reporting period, TMK's American division, TMK IPSCO, increased its shipments by 6.8% year-on-year, reaching a total of 592 thousand tonnes of tubular products<sup>2</sup>. Seamless and welded pipe shipments were 256 and 336 thousand tonnes, up 15.1% and 1.3% year-on-year, respectively. Compared to the second half of 2013, shipments during the first half of 2014 were down 3.7%, mainly due to a decrease of 13.4% in domestic welded shipments, the result of planned cut-backs in production in response to unfavourable market conditions caused by a surge in low-priced imports.

In the second quarter of 2014, the division shipped 294 thousand tonnes of tubular products, down 1.5% quarter-on-quarter, with seamless pipe accounting for 126 thousand tonnes (down 3.6% quarter-on-quarter). Welded pipe shipments amounted to 168 thousand tonnes, virtually unchanged quarter-on-quarter.

While US shipments of welded OCTG were down year-on-year, this drop was offset by an increase in shipments to Canada. Quarter-on-quarter, welded OCTG shipments were down 3%.

Shipments of seamless OCTG pipe rose by 16.3% to 197 thousand tonnes in the first half of 2014, while remaining flat quarter-on-quarter at 99 thousand tonnes.

As several infrastructure projects were completed, the division saw reduced demand for seamless line pipe, which resulted in a 39.7% year-on-year drop to 18 thousand tonnes. Continuing this trend, the second quarter saw eight thousand tonnes of this product shipped, down 19.0% quarter-on-quarter.

Shipments of seamless industrial pipe, in contrast, increased by 71.5% to 41 thousand tonnes in the first half of 2014, while dropping by 14.9% quarter-on-quarter to 19 thousand tonnes in the second quarter.

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



### *European Division*

The European pipe market continues its slow recovery after a lasting stagnation. Demand for industrial pipe, the division's core product, is marked by small orders.

The division shipped 41 thousand tonnes of this product in the second quarter, which is flat quarter-on-quarter, and a total of 82 thousand tonnes in the first half of 2014, up 5.5% year-on-year.

### **Premium Segment**

The demand for TMK UP premium connections remains high, sustained by expansion of directional and horizontal drilling in America and Russia.

In May 2014, TMK signed a long-term contract with Yamal LNG to deliver premium tubular products throughout 2014–2020, with Yamal LNG's overall demand for premium tubular products during this period estimated at 48 thousand tonnes.

Over the reporting period, TMK signed a memorandum of understanding with Sakhalin Energy, Sakhalin-II operator, under which a roadmap is to be drafted for Sakhalin Energy to view TMK as a prospective supplier of premium tubular products.

TMK shipped a total of 404 thousand joints of premium connections in the first half of 2014, up 9.2% year-on-year, while also boosting the quarter-on-quarter figure by 9.5%.

### **2H 2014 Outlook**

The Russian tubular market is likely to grow in the second half of 2014 driven mainly by the increase in horizontal drilling and development of unconventional oil and gas fields. Owing to that, TMK expects a steady demand for oil and gas pipe, particularly seamless OCTG.

The launch of major pipeline projects across Russia will enable the Company to increase shipments and improve product mix in the welded pipe segment, especially LDP. TMK awaits the expansion of demand for seamless line pipe, as the infrastructure projects related to trunk pipeline construction will be carried out. The launch of Gazprom's Eastern Gas Program may also spur the market growth.

In the US, the recent positive decision to impose anti-dumping and countervailing duties on manufacturers from nine countries made by the US



Department of Commerce is yet to be confirmed by the International Trade Commission's (ITC). The decision is expected on August 14<sup>th</sup>. A positive decision by the ITC will help make competition in the US market more fair, by levelling conditions for all manufacturers. This includes TMK's American Division, whose performance may see certain improvement starting in 2015, as inventories of low-priced OCTG imports begin to deplete, and prices gradually begin to recover in the wake of increased drilling activity. As in 2013, TMK's American division expects second half 2014 shipments to be stronger than those in the first half of the year.

As for the second half 2014 shipments TMK estimates them to be more or less flat comparing to the first half of the year, while improving product mix makes the Company believe that 2H 2014 financials will be stronger than in 1H 2014.

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**For further information regarding TMK, please, visit [www.tmk-group.ru](http://www.tmk-group.ru) as well as 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.ru](http://www.tmk-group.ru))**

TMK (LSE: TMKS) is a leading global manufacturer and supplier of steel pipe for the oil and gas industry, operating 28 production sites in Russia, the U.S., Canada, Romania, Oman, the UAE, and Kazakhstan, and two R&D centres in Russia and the U.S. In 2013, TMK's pipe shipments totaled 4.3 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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