Moscow, October 16th, 2009

# TMK ANNOUNCES 1H 2009 REVIEWED IFRS RESULTS

OAO "TMK" (TMK), a leading global producer of steel pipes for the oil and gas industry, today announces its unaudited IFRS financial results for the six months ended June 30, 2009.

*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.*

## 1H 2009 Highlights (vs. 1H 2008)

Financials:

- Revenue fell by 38% to USD 1,478.6 million.
- Gross profit decreased by 64% to USD 223.9 million
- Adjusted EBITDA, excluding non-cash items,[1] declined by 65% to USD 145.9 million.
- Adjusted EBITDA, including certain non-cash items, decreased by 72% to USD 113.0 million as a result of a decrease in revenue and gross profit.
- Despite a net loss of USD 203.8 million the Company generated net operating cash flow of USD 286.0 million.

[1] Reconciliation of Adjusted EBITDA to profit before tax is as follows:

*(Millions of U.S. dollars)*

| | 1H 2009 | 1H 2008 |
|---|---|---|
| Net profit | (203.8) | 158.2 |
| Income tax expense | (62.3) | 82.2 |
| Depreciation and amortization | 150.7 | 90.5 |
| Financial assets impairment loss | - | 13.0 |
| Goodwill impairment loss | 9.6 | - |
| Fixed assets impairment loss | 28.1 | - |
| Finance costs | 211.7 | 85.1 |
| Finance income | (32.7) | (6.8) |
| Effect of exchange rate fluctuations | 11.7 | (14.1) |
| Adjusted EBITDA, including certain non-cash items | 113.0 | 408.2 |
| Loss of disposal of property, plant and equipment (PP&E) | 1.7 | 0.6 |
| Share based payments | - | 3.0 |
| Allowance for net realizable value of inventory | 23.2 | 0.9 |
| Allowance for doubtful debts | 2.6 | (0.4) |
| Movement in other provisions | 5.4 | 5.5 |
| Adjusted EBITDA, excluding non-cash items | 145.9 | 417.8 |

- EBITDA is often used as a surrogate for operating cash flow. Gross margin and EBITDA were depressed through the use of historic cost accounting during a period of declining prices for both raw materials and finished product, whereby sales are matched with costs incurred when market prices were higher. Operating cash flow outperformed EBITDA because of the reduction in working capital, and in particular of inventories, caused largely by the declining prices.

- Net Debt increased to USD 3,560 million following the exercise of the option to acquire remaining ownership interest in US tubular assets from Evraz in January 2009. In the prior year the liability under the option was not classified as debt. Had it been classified as debt as of December 31, 2008, TMK’s net debt would have been USD 3,571 million compared to USD 3,560 million as of June 30, 2009. Therefore, in spite of the challenging market environment, the Company decreased its net debt by USD 10 million during the first 6 months of 2009.

Sales Volumes:

- Total pipe sales volumes declined by 20% to 1.2 million tonnes, including 760 thousand tonnes of seamless pipes.

- Seamless pipe sales volumes declined by 23%. Higher margin seamless OCTG pipes showed more resilience and only declined by 2%, amounting to 448 thousand tonnes. Despite this decline, TMK increased its market share in Russia from 58% to 71% in this segment.

- Welded pipe sales volume declined by 15%, driven by a decrease in sales of both large-diameter and industrial welded pipes.

Refinancing:

- In January 2009, TMK borrowed USD 1,107.5 million from Gazprombank to refinance liabilities related to the acquisition of IPSCO.

- In March 2009, TMK borrowed USD 90.2 million from VTB. On March 24, 2009, the loan proceeds were used to redeem debt securities in the amount of 3,000,000 thousand Russian roubles.

Recent Developments:

- In August 2009 TMK amended its January agreement with Gazprombank, effectively extending the loan term from 2.5 to 5 years and reducing interest rate. The facilities will be repaid in tranches starting from 2011.
- In August 2009, as a part of the offer to bondholders to amend the terms of the 2011 USD 600 million Eurobonds, TMK bought back 4,133 of 6,000 notes. Total payments of the Company related to this transaction amounted to USD 416 million.
- On September 29, 2009, TMK fully redeemed the 2009 USD 300 million Eurobonds through a one year loan provided by VTB. The loan, initially provided for one year, includes an option to extend the maturity date by up to 5 years.
- Between June and September 2009, TMK entered into several loan agreements with Sberbank for an aggregate amount of RUB 5.7 billion. The facilities have a maturity of 7 years.
- By October 1, 2009, TMK had successfully restructured most of its short-term debt.

## Summary 1H 2009 Results

*(Millions of U.S. dollars, except earnings per GDR)*

| | 1H 2009 | 1H 2008 | *Change, %* |
|---|---|---|---|
| **Revenue** | **1,478.6** | **2,368.4** | ***-37.6%*** |
| **Gross profit** | **223.9** | **617.8** | ***-63.8%*** |
| **Profit (loss) before tax** | **(266.1)** | **240.4** | ***n/a*** |
| **Net profit (loss)** | **(203.8)** | **158.2** | ***n/a*** |
| **Earnings (loss) per GDR[2], USD** | **(0.92)** | **0.68** | ***n/a*** |
| **Net cash flows from operating activities** | **286.0** | **403.6** | ***-29.1%*** |
| **Adjusted EBITDA, excluding non-cash items** | **145.9** | **417.8** | ***-65.1%*** |

[2] 1 GDR represents 4 ordinary (local) shares

| | | | |
|---|---|---|---|
| **Adjusted EBITDA, including certain non-cash items** | **113.0** | **408.2** | ***-72.3%*** |

## Overview

TMK's 1H 2009 financial results were severely affected by a slump in demand and unfavorable pricing environment across major markets as a result of sharp a decline observed in global energy demand and oil and gas prices.

With its large exposure to the oil and gas sector, TMK struggled in the first half of the year with a falling rig count and high pipe inventories in the U.S., the curtailment of E&P budgets in Russia and increased competition in the Middle East and CIS markets. At the same time, demand in the industrial pipe segment collapsed in the beginning of the year as the global financial crisis continued to affect the manufacturing industry.

Despite the contraction in demand for oil and gas pipe products across all major markets, TMK held its market positions and increased its Russian seamless OCTG market share to 71% in the first six months of 2009, up from 58% in 1H 2008.

Due to falling natural gas prices and OCTG inventory build up, TMK IPSCO, the Company's U.S. division, saw a sharp decline in sales and its capacity utilization rate drop below 30%. However, TMK actively developed its ULTRA premium connections business in the United States. As of September 2009, ULTRA had a 30% premium connections market share in the shale plays, making them the most widely used premium connections in U.S. shale plays.

This contributed to consolidated TMK premium connection shipments increased by 47% compared to the first half of 2008 and amounted to 61 thousand tonnes.

In the first half of 2009, pipe prices in Russia declined by around 20-40%, while prices outside Russia were slashed by approximately 35-50% as compared to the peaks reached in the fourth quarter of 2008.

To address the first half's challenging operating environment, the Company implemented a number of cost-cutting initiatives at Russian and U.S. plants. These initiatives included the optimization of labour costs by the use of flexible work arrangements and a reduction of working hours, as well as a tighter control over operating costs and other measures. In the first half of 2009, selling, general and administrative expenses in Russia declined by 37% as compared to the first half of 2008.

Nevertheless, much lower capacity utilization rates, declining pipe prices and the use of expensive raw materials in the beginning of the year resulted in a substantial decline in operating margins.

The Company significantly reduced its capital expenditure programs. Expenditures on PP&E and intangible assets declined by 64% compared to the same period of the previous year.

A key priority for the Company in the first six months of 2009 and beyond was the refinancing of short-term debt. During the first nine months of 2009, TMK had successfully restructured the majority of short-term obligations and significantly improved its debt maturity profile after raising more than USD 2 billion in financing from Russian state-owned banks with principal repayments starting in 2011.

## Market Outlook

In the first half of the year, out of all TMK markets, the Russian OCTG market was the least affected by the crisis. Demand for OCTG pipes in Russia in the first half of 2009 dropped by approximately 18%, while the US OCTG market shrank by 33% during the same period. Despite Russian oil and gas majors cutting E&P budgets, drilling activity in the first six months of the year was only down by 5%. The OCTG market performed relatively well due to the high tubing pipe consumption rate in Russia; TMK sales of tubing pipes in Russia increased by 16%. TMK expects a visible recovery in OCTG and line pipe demand in Russia in the second half of 2009; however this might not be sufficient to bring 2009 annual volumes back to 2008 levels.

The large-diameter (LD) pipe market remained rather depressed for the first four months of 2009. Demand for LD pipes started coming back in May, driven by the construction of major Gazprom, Transneft and Turkmengas pipeline projects. We continue to see robust demand in the second half of 2009 with bookings for longitudinal welded large-diameter pipe extending through the first half of 2010.

Industrial pipe demand in the first half of 2009 was down by approximately 40% compared to the first six months of 2008; however, order activity for industrial products is picking up. In the third quarter of 2009, TMK welded industrial pipe shipments increased by 20% while seamless industrial shipments increased by 47% Q-o-Q.

The U.S. oil and gas pipe market experienced quite a dramatic decline in the first six months of 2009 with rig count falling from around 1,800 rigs to below 900 and OCTG pipe inventory build up exceeding 12 months of supply. According to Pipe Logix, average OCTG prices in the U.S. fell by 40% in the first half of 2009.

We began to see what could be described as the first signs of a U.S. OCTG market bottom as rig count started moving back from its June lows and downward pricing trends lost momentum. However, as long as such high level of inventories remain on the ground and gas prices remain depressed, we don't expect to see a significant demand recovery before 2Q 2010.

On other markets, including the Middle East and North Africa, we observe stiffer competition compared to previous years as lower-grade pipe products were redirected to these regions following the collapse of the U.S. market and the threat of looming trade restrictions. We expect these markets to recover in 2010.

## Results of Operations

### *Sales volumes*

TMK sales volumes decreased by 20% and amounted to 1,196 thousand tonnes due to the weak market demand observed in the first and second quarters of the year. While sales volumes of Russian plants decreased by 27%, the Russian pipe market declined by approximately 35% in the first half of 2009 as compared to 1H08.

The following table shows TMK pipe sales volumes.

*(In thousands of tonnes)*

| | 1H 2009 | 1H 2008 | % change |
|---|---|---|---|
| **Seamless pipes** | **760** | **989** | **-23%** |
| Russia | 541 | 686 | -21% |
| Outside Russia | 219 | 303 | -28% |
| **Welded pipes** | **435** | **513** | **-15%** |
| Russia | 273 | 378 | -28% |
| Outside Russia | 162 | 135 | 20% |
| **Total pipes** | **1,195** | **1,502** | **-20%** |
| *of which* | | | |
| Russia | 814 | 1,064 | -23% |
| Outside Russia | 381 | 438 | -13% |

Sales of pipes produced at TMK plants in Russia and Kazakhstan decreased by 27% and amounted to 1,007 thousand tonnes.

Sales volumes of TMK IPSCO amounted to 133 thousand tonnes, representing a significant decrease following a record 2008 performance, when TMK IPSCO sold 441 thousand tonnes of steel pipes in the second half of the year.

TMK Europe sales decreased by 34% and amounted to 55 thousand tonnes due to the demand contraction for seamless industrial pipes.

TMK seamless pipe sales decreased by 23% in the first six months of 2009, as compared to the first six months of 2008, primarily as a result of a sharp decline in the demand for industrial type products. At the same time, sales volumes for seamless OCTG decreased only by 2%. The demand resilience observed in OCTG allowed TMK to increase its Russian oil and gas pipe market share. The Company estimates its seamless OCTG market share in Russia at 71% in the first half of 2009.

In the first six months of 2009, TMK welded pipe sales amounted to 435 thousand tonnes, representing a 15% decline compared to the first six months of 2008. Although demand for pipe products started to revive in the second quarter, it was not enough to offset the severe first quarter drop in demand for pipes used in the machine building, automotive, construction and power generation industries. In the second quarter, TMK significantly increased sales of longitudinal welded large-diameter (LD) pipes as the Company secured supply agreements for a series of Gazprom, Transneft and Turkmenistan projects.

## *Revenue*

In the first six months of 2009, as compared to the first six months of 2008, TMK revenue decreased by 38% and amounted to USD 1,478.6 million due to a combination of lower average selling prices and lower sales volumes.

### *Russia*

In the first six months of 2009, challenging market conditions led to both lower selling prices and lower sales volumes for seamless pipes produced at Russian plants. Average TMK selling prices for seamless pipes in Russia decreased by 29% compared to the first six months of 2008. Prices for welded pipes decreased by 30%. This drop in prices contributed to a 48% decrease in revenues in the Russian segment, from USD 2,133.1 million to USD 1,110.8 million, as compared to the first half of 2008.

*Americas*

Market conditions in North America substantially deteriorated in the first six months of the year. Welded and seamless pipe selling prices dropped considerably as sales volumes suffered heavily from the weak market environment. Average selling prices in the segment decreased by approximately 20% compared to the second half of 2008. Revenues for the first six months of 2009 amounted to USD 286.5 million.

*Europe*

The first half of the year was characterized by a decrease in selling prices and lower sales volumes for industrial seamless pipes at TMK plants in Europe. Average TMK selling prices for industrial seamless pipes decreased by 11% compared to the first six months of 2008. This contributed to a 44% decrease in revenues for the European segment. Revenues for the period fell from USD 144.7 million to USD 81.3 million.

## *Gross Profit*

TMK's gross profit, which represents net revenues less cost of sales, decreased by 64% in the first six months of 2009, compared to the first six months of 2008, as a result of selling prices decreasing more significantly than input prices, as well as sales volumes decline.

*Russia*

Gross profit decreased to USD 217.8 million, or by 62% as compared to the first half of 2008, representing a 19.6% gross profit margin in the first half of 2009. Revenues per tonne in the Russian segment decreased by 29% and costs by only 22%.

*Americas*

Gross profit was negative USD -12.6 million, among other things, due to allowance for net realizable value of inventory as a result of lower selling prices.

*Europe*

Gross profit dropped to USD 18.7 million, down 43% as compared to the first half of 2008, representing a 23% gross profit margin in the first half of 2009. Revenues per tonne in the European segment remained in line with costs per tonne. Costs and revenues per tonne decreased by 15% and16%, respectively.

## *Cost cutting measures*

To address the challenges brought forth by the economic downturn, the Company is implementing cost cutting measures at all of its divisions. In Russia and Europe, selling, general and administrative expenses decreased by 38% and 31%, respectively. TMK headcount decreased by approximately 10.1% as at June 30, 2009 in comparison with June 30, 2008. Staff costs including social security declined by 22% to USD 258.7 million from USD 333.3 million.

## *Net Debt*

Since December 31, 2008, net debt[3] increased by 16% to USD 3,560 million.

[3] Net debt represents long-term loans and borrowings plus short-term loans and borrowings plus financing lease liabilities less cash and cash equivalents and bank deposits classified as short-term investments. Net debt is not a balance sheet measure under IFRS, and should not be considered as an alternative to other measures of financial position. Calculation of net debt given herein may differ from the methodology used by other companies and therefore comparability may be limited.
Net Debt is a measure of operating performance that is not required by, or presented in accordance with, IFRS. Although net debt is a non-IFRS measure, it is widely used to assess liquidity and the adequacy of a company's financial structure. We believe Net Debt provides an accurate indicator of an ability to meet financial obligations, represented by gross debt, from available cash. Net Debt allows to show investors the trend in net financial condition over the periods presented. However, the use of Net Debt effectively assumes that gross debt can be reduced by cash. In fact, it is unlikely that TMK would use all of cash to reduce its gross debt all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements. Net Debt and its

The main reason behind the debt increase relates to TMK exercising its option with Evraz for USD 507.5 million for the acquisition of the remaining ownership interest in NS Group. In the prior year the liability under the option was not classified as debt. Had it been classified as debt as of December 31, 2008, TMK's net debt would have been USD 3,571 million compared to USD 3,560 million as of June 30, 2009. Therefore, in spite of the challenging market environment the Company decreased its net debt by USD 10 million during the first 6 months of 2009.

During the first 6 months of 2009, TMK continued to improve the structure of its loan portfolio. The share of long-term debt increased from 31% as of December 31, 2008 to 46% as of June 30, 2009.

In January 2009, TMK borrowed USD 1,107.5 million from Gazprombank to refinance liabilities related to the acquisition of IPSCO.

In March 2009, TMK borrowed USD 90.2 million from VTB. On March 24, 2009, the loan proceeds were used to redeem debt securities in the amount of 3,000,000 thousand Russian Roubles.

In August 2009 TMK amended its January agreement with Gazprombank, effectively extending the loan term from 2.5 to 5 years and reducing interest rate. The facilities will be repaid in tranches starting from 2011.

In August 2009, as a part of the offer to bondholders to amend the terms of the 2011 USD 600 million Eurobonds, TMK bought back 4,133 of 6,000 notes. Total payments of the Company related to this transaction amounted to USD 416 million.

On September 29, 2009, TMK fully redeemed the 2009 USD 300 million Eurobonds through a one year loan provided by VTB and proceeded to its sixth coupon payment of USD 12.75 million. The loan, initially provided for one year, includes an option to extend the maturity date by up to 5 years.

Between June and September 2009, TMK entered into several loan agreements with Sberbank for an aggregate amount of RUB 5.7 billion. The facilities have a maturity of 7 years.

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ratio to equity, or leverage, are used to evaluate financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost, and whether financial structure is adequate to achieve business and financial targets. TMK's management monitors the net debt and leverage or similar measures as reported by other companies in Russia or abroad in order to assess TMK's liquidity and financial structure relative to such companies. TMK's management also monitors the trends in our Net Debt and leverage in order to optimise the use of internally generated funds versus funds from third parties.

Net debt has been calculated as follows:

| | At June 30 2009 | At December 31 2008 |
|---|---|---|
| **Net Debt calculation** | *(millions of U.S. dollars)* | |
| Add: | | |
| Short-term loans and borrowings and current portion of long-term loans and borrowings | 1,966 | 2,215 |
| Finance lease liabilities, current portion | 3 | 2 |
| Long-term loans and borrowings, net of current portion | 1,646 | 955 |
| Finance lease liabilities, net of current portion | 36 | 39 |
| Less: | | |
| Cash and cash equivalents | 86 | 143 |
| Short-term investments | 4 | 4 |
| **Net Debt** | **3,560** | **3,063** |

1H 2009 IFRS Accounts are available at:
http://www.tmk-group.com/financial-reports.php

1H 2009 IFRS Results Conference Call details can be found at:
www.tmk-group.com