

Announcement: Moody's changed the outlook on B1 rating for TMK from negative to stable

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Moscow, October 21, 2010 -- Moody's Investors Service has today changed the outlook on B1 Corporate Family Rating for TMK, the B1 rating for USD 600 million Loan Participation Notes due 2011 from negative to stable. At the same time, Moody's Interfax Rating Agency, which is majority owned by Moody's, changed the outlook on A2.ru national scale credit rating ("NSR") to stable.

The change in outlook reflects the fact that the negative global environment for the pipe industry, which prevailed for the major part of 2009, is now gradually improving. Moody's also acknowledges that TMK has evidenced materially improved credit metrics, admittedly from the weak 2009 level, resulting from higher capacity utilization levels, rising volumes of shipments and increasing prices for seamless and welded pipes for the oil and gas industry.

Demand from Russian oil and gas companies is rising on the back of a number of large scale pipeline projects being implemented by Transneft and Gazprom. As a result, TMK's longitudinal welded large-diameter pipe mill at Volzhsky is now fully loaded with the order backlog extending into the first half of 2011. Furthermore, the completion of Volzhsky's seamless mill upgrade program will provide the Company with an additional 300,000 t of seamless pipe rolling capacity. At the same time the sales volumes at TMK IPSCO in the US indicate improving demand for pipe products supported in particular by growing shale gas developments. The U.S. drilling environment showed impressive growth in the first quarter of 2010 with a 23% increase in the U.S. rig count. The demand for TMK IPSCO pipe products allowed to increase capacity utilization levels to above 70%. As a result, in 1H 2010 TMK IPSCO sales increased by 116% to USD 620 million and EBITDA increased by 421% to USD 122 million Y-o-Y.

Moody's also notes that in the past 12 months TMK successfully redeemed USD 300 million Eurobond, reset financial covenants and improved its liquidity position by the placement of a USD 412 million convertible bond in February 2010. Nonetheless even if its debt maturity profile has improved the company still faces significant maturities in 2011 and 2012. The change of outlook to stable incorporates the agency expectations that the current economic environment in Russia, and the discussions engaged with its financial counterparties, should allow the company to deal with these upcoming maturities through a number of options including a possible placement of a Russian RUR bond and additional bank facilities.

Moody's notes that the elevated leverage of debt/EBITDA at the end of 2009 at 10.3x has nearly been halved as at June end, 2010 and is on course in Moody's opinion to move down close to 4x by the end of 2010.

To maintain the current rating at B1, TMK will need to sustain a continued improvement in its operating performance and to reduce sequentially its leverage so that its debt/EBITDA reach 4x by the end of 2010 and 3.5x by the end of 2011. In addition, the agency would expect that the company executes swiftly its refinancing strategy so that its liquidity is further strengthened in the next few months, and that TMK continues to centralize its refinancing at parent level so that priority debt (ie secured and/or at Opco level) would be reduced overtime.

For a rating upgrade, the agency would require TMK to: 1) generate positive FCF which would be used to reduce the outstanding debt and 2) reach a debt/EBITDA rating materially below 3x on a sustainable basis. The liquidity profile would also need to be strengthened further with a more even debt maturity profile.

The last rating action was implemented on May 07, 2009 when Moody's downgraded the Ba3 Corporate Family Rating for TMK, the Ba3 rating for the USD 300 million Loan Participation Notes due 2009 and USD 600 million Loan Participation Notes due 2011 to B1. At the same time, Moody's Interfax Rating Agency downgraded a Aa3.ru national scale credit rating ("NSR") to A2.ru. The outlook was left unchanged at negative.

The principal methodology used in rating TMK was Global Steel Industry, January 2009 (113754), which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating TMK can also be found in the Credit Policy & Methodologies directory.

TMK is Russia's largest and one of the world's leading producer of value-added steel pipe products for the oil & gas industry. In 2009 TMK shipped 2.79 million tonnes of pipe products (13% down YoY), generated revenues of USD 3.46 billion (39% decrease YoY) and reported EBITDA of USD 373 million (63% decrease YoY). In 1H 2010 TMK generated USD 2.57 billion in revenue and reported USD 415 million of EBITDA. In the first 9 months of 2010 the Company shipped 2.86 million tonnes of pipes, a 49% increase from the same period of 2009. Prior to IPO TMK was fully owned by Mr. Pumpyansky. His current shareholding is 69.68%.

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