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TMK ANNOUNCES 2Q 2014 AND 1H 2014 IFRS RESULTS

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

OAQ TMK ('TMK' or 'the Company'), one of the world's leading producers of tubular products for the oil and gas industry, announces today its interim consolidated IFRS financial results for the six months ending June 30, 2014.

Summary 2Q and 1H 2014 Results

(In millions of U.S.\$, unless stated otherwise)

	2Q 2014	1Q 2014	Chang- e, %	1H 2014	1H 2013	Chang- e, %
Sales volumes, thousand tonnes	1,075	1,026	5%	2,101	2,175	-3%
Revenue	1,516	1,466	3%	2,982	3,374	-12%
Gross profit	285	281	1%	566	724	-22%
Foreign exchange gain/loss, net	32	-63	n/a	-31	-44	-30%
Income/loss before tax	76	-14	n/a	62	173	-64%
Net income/loss	60	-16	n/a	45	125	-64%
Earnings/loss per GDR(1), basic, U.S.\$	0.28	-0.07	n/a	0.21	0.56	-62%
Adjusted EBITDA(2)	190	184	3%	375	523	-28%
Adjusted EBITDA margin, %	13%	13%		13%	15%	

Note: Certain monetary amounts, percentages and other figures included in this press release are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.

(1) One GDR represents four ordinary shares

(2) Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provision for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash items

2Q 2014 Highlights

Sales

Sales (thousand tonnes)	2Q 2014	1Q 2014	Change, %
Seamless	634	640	-1%
Welded	442	386	14%
Total	1,075	1,026	5%

- Total pipe sales increased by 5% from the prior quarter to 1,075 thousand tonnes, mainly due to higher sales in Russia across all types of welded pipe, and especially large-diameter pipe (LDP) volumes.
- Seamless pipe volumes decreased by 1% from the prior quarter to 634 thousand tonnes as a result of lower seamless industrial pipe sales. Seamless OCTG pipe volumes grew by 3% from the first quarter of 2014 due to higher sales in the Russian division.

- Welded pipe sales increased by 14% from the prior quarter to 442 thousand tonnes mostly due to higher sales of LDP in Russia.

#### Financials

- Revenue increased by 3% to \$1,516 million over the first quarter of 2014, mainly as a result of higher welded pipe sales in the Russian division.
- Adjusted EBITDA increased by 3% quarter-on-quarter to \$190 million mainly due to favorable product mix in the American division. Adjusted EBITDA margin remained flat at 13% compared to the first quarter of 2014.
- Net profit was \$60 million as compared to net loss of \$16 million for the first quarter of 2014. Foreign exchange gain in the second quarter of 2014 was \$32 million compared to foreign exchange loss in the amount of \$63 million in the first quarter of 2014.
- As of June 30, 2014, total debt increased by \$160 million compared to March 31, 2014 to \$3,753 million partially as a result of the Rouble's appreciation against the U.S. dollar. TMK's weighted average nominal interest rate increased by 46 bps compared to March 31, 2014 and amounted to 7.04%.
- Net debt increased by \$105 million in the second quarter of 2014 compared to March 31, 2014 and amounted to \$3,631 million as of June 30, 2014.

#### 1H 2014 Highlights

##### Sales

Sales (thousand tonnes)	1H 2014	1H 2013	Change, %
Seamless	1,273	1,271	0%
Welded	828	905	-9%
Total	2,101	2,175	-3%

- Total pipe sales decreased by 3% year-on-year to 2,101 thousand tonnes, mostly due to lower LDP sales in Russia.
- Seamless pipe volumes remained flat year-on-year and amounted to 1,273 thousand tonnes as higher seamless OCTG sales were offset by lower seamless line and seamless industrial pipe volumes. Seamless OCTG pipe sales grew by 8% compared to the first half of 2013.
- Welded pipe sales decreased by 9% from the first half of 2013 to 828 thousand tonnes mostly due to lower sales of LDP.

#### Financials

- Revenue was \$2,982 million, a decrease of 12% over the first half of 2013, mainly due to lower LDP sales in the Russian division and a negative effect of currency translation.
- Adjusted EBITDA decreased by 28% year-on-year to \$375 million mainly due to unfavorable price and product mix of seamless pipe in the Russian division, lower LDP sales and a negative effect of currency translation. Adjusted EBITDA margin was 13% compared to 15% in the first half of 2013.
- Net profit was \$45 million as compared to \$125 million for the first half of 2013.
- As of June 30, 2014, total debt increased by \$60 million compared to December 31, 2013. TMK's weighted average nominal interest rate increased by 32 bps compared to December 31, 2013.
- Net debt increased by \$31 million in the first half of 2014 compared to December 31, 2013.

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#### Recent Developments

- On June 19, 2014, the annual shareholders' meeting approved a final dividend for 2013 in the amount of 731 million Russian roubles (\$21million at the exchange rate at the date of approval) or 0.78

Russian roubles (\$0.02) per ordinary share. Total dividend amount for 2013 including interim dividends amounts to 1.7 billion Russian roubles.

- On June 27, 2014, TMK's Board of Directors decided to increase the share capital by the issuance of additional shares in the amount of 56,000,000 shares under open subscription.
- In July 2014, TMK and LUKOIL signed an R&D cooperation programme for 2014-2016 aimed at the launch of import-substituting and new types of high-performance tubular products.
- In July 2014, TMK Gulf International Pipe Industry (TMK GIPI) LLC, TMK's Omani plant, was awarded an 18,400 tonnes of OCTG order from the foremost exploration and production company in the Sultanate, Petroleum Development Oman (PDO).

## 2Q 2014 and 1H 2014 Segment Results

(In millions of U.S.\$, unless stated otherwise)

	2Q 2014	1Q 2014	Change, %	1H 2014	1H 2013	Change, %
Sales (thousand tonnes)						
Russia	787	727	8%	1,514	1,606	-6%
America	242	251	-3%	493	483	2%
Europe	46	48	-5%	93	86	9%
Revenue						
Russia	1,030	981	5%	2,011	2,440	-18%
America	415	418	-1%	833	782	6%
Europe	71	67	7%	138	151	-9%
Gross Profit						
Russia	221	224	-1%	445	612	-27%
America	49	44	11%	93	86	7%
Europe	15	13	11%	28	26	7%
Adjusted EBITDA						
Russia	147	153	-3%	300	455	-34%
America	34	24	39%	58	53	9%
Europe	9	7	21%	16	15	12%

### Russia

#### 2Q 2014 vs. 1Q 2014

Revenue increased by 5% to \$1,030 million from the first quarter of 2014 mainly as a result of the growth in welded pipe volumes and especially in LDP sales.

Gross profit declined by 1% quarter-on-quarter to \$221 million due to unfavorable sales mix in welded pipe. Gross profit margin decreased to 21% from 23% for the prior quarter.

Adjusted EBITDA amounted to \$147 million, a decline of 3% compared to the first quarter of 2014, following a decrease in gross profit and a growth in other operational expenses. Adjusted EBITDA margin fell to 14% compared to 16% in the prior quarter.

#### 1H 2014 vs. 1H 2013

Revenue dropped by 18% year-on-year to \$2,011 million largely due to lower LDP sales and a negative effect of currency translation.

Gross profit decreased by 27% year-on-year to \$445 million mainly as a result of unfavorable pricing and product mix of seamless pipe, lower LDP volumes and a negative effect of currency translation. Gross profit margin decreased to 22% from 25% in the first half of 2013.

Adjusted EBITDA fell by 34% year-on-year to \$300 million mainly due to a decrease in gross profit. Adjusted EBITDA margin declined to 15% compared to 19% in the first half of 2013.

### America

#### 2Q 2014 vs. 1Q 2014

Revenue was \$415 million, a decrease of 1% over the prior quarter, primarily due to lower seamless and welded pipe sales, which was partially compensated by higher pricing and favorable sales mix.

Gross profit increased by 11% quarter-on-quarter to \$49 million mostly due to improved sales mix of both seamless and welded pipe. Gross profit margin went up to 12% from 10% in the second quarter of 2014.

Adjusted EBITDA grew by 39% quarter-on-quarter to \$34 million following an increase in gross profit and a decline of SG&A expenses. Adjusted EBITDA margin improved to 8% compared to 6% in the prior quarter.

1H 2014 vs. 1H 2013

Revenue increased by 6% compared to the first half of 2013 to \$833 million due to higher seamless pipe volumes.

Gross profit grew by 7% year-on-year to \$93 million mainly as a result of higher volumes, pricing and favorable product mix of seamless pipe. Gross profit margin remained flat at 11% compared to the first half of 2013.

Adjusted EBITDA increased by 9% compared to the first half of 2013 to \$58 million following the growth in gross profit. Adjusted EBITDA margin remained flat at 7% compared to the first half of 2013.

Europe

2Q 2014 vs. 1Q 2014

Revenue increased by 7% quarter-on-quarter to \$71 million as a result of higher steel billets sales.

Gross profit went up by 11% from the first quarter of 2014 to \$15 million. Gross profit margin improved to 21% from 20% in the first quarter of 2014.

Adjusted EBITDA increased by 21% over the prior quarter to \$9 million following a growth in gross profit. Adjusted EBITDA margin increased to 12% from 11% in the first quarter of 2014.

1H 2014 vs. 1H 2013

Revenue fell by 9% compared to the first half of 2013 to \$138 million due to a significant drop in steel billet sales.

Gross profit increased by 7% year-on-year to \$28 million due to the growth in seamless pipe volumes. Gross profit margin grew to 20% from 17% in the first half of 2013 as a result of higher share of seamless pipe volumes in total sales.

Adjusted EBITDA increased by 12% year-on-year to \$16 million due to the gross profit growth. Adjusted EBITDA margin improved to 12% from 10% in the first half of 2013.

2Q and 1H 2014 Market Conditions

Russia

In the second quarter of 2014, the Russian pipe market increased by 10% from the prior quarter mainly as a result of a seasonal growth of the welded industrial pipe market. In the first half of 2014, the Russian pipe market remained flat compared to the first half of 2013 as the growth in welded industrial pipe and LDP market was offset by lower seamless OCTG and line pipe consumption due to weaker drilling activity in the first half of 2014.

In the second quarter of 2014, consumption of seamless OCTG pipe remained mainly at the same level as the prior quarter while seamless line pipe market decreased by 9% due to seasonally lower demand.

The LD pipe market in Russia in the second quarter of 2014 decreased by 3% compared to the prior quarter. For the first half of 2014, the LD pipe market increased by 11% year-on-year due to higher demand from Gazprom's South Stream project.

In the second quarter of 2014, the seamless and welded industrial pipe market in Russia increased by 4% and 29% compared to the previous quarter respectively, mainly due to higher seasonal demand from machinery and construction industries. For the first half of 2014, welded industrial pipe consumption went up by 6% year-on-year, while seamless industrial pipe market remained almost flat.

America

According to the Preston Pipe and Tube Report, in the second quarter of 2014, U.S. OCTG consumption increased by 6% quarter-on-quarter and by 21% in the first half of 2014 compared to the same period in 2013, reflecting an increase in rig count and particularly the increase in horizontal rigs, which generally consume more OCTG pipe per well.

Thus, the Baker Hughes average number of rigs in the second quarter of 2014 increased by 73 rigs over the prior quarter and by 56 rigs in the first half of 2014 over the first half of 2013. Better economics for oil plays continued to support the addition of oil rigs: in the second quarter of 2014 the average number of oil rigs rose by 101 rigs from the first quarter of 2014 and by 116 in the first half of 2014 compared to the first half of 2013. In contrast, the average number of gas rigs declined in the second quarter of 2014 by 28 rigs quarter-on-quarter and by 58 rigs in the first half of 2014 over the same period of 2013.

In the second quarter of 2014, U.S. OCTG shipments went up by 16% compared to the prior quarter and by 24% in the first half of 2014 over the same period of 2013, led by a surge in imports from the trade-case-subject countries prior to the Commerce Department's decision deadline. As a result, the total OCTG inventory level increased. However, the average number of months of OCTG inventory declined due to higher consumption.

According to Pipe Logix, in the second quarter of 2014 the average composite OCTG seamless and welded prices were up 1.5 % and 0.5% respectively compared to the first quarter of 2014, while in the first half of 2014 both the average composite OCTG seamless and welded prices decreased by 3% year-on-year.

#### Europe

In the second quarter of 2014, the European market continued its slow recovery after a lasting stagnation. However, pipe consumption still remained at a rather low level with end-users continuing to focus on spot orders, in anticipation of more favorable payment terms. Customers kept inventories at a minimum level for their ongoing needs creating additional pressure on prices and volumes.

#### 2H and FY 2014 Outlook

For the second half of 2014, the Company observes an increase of the pipe market in Russia mainly due to higher consumption of LD pipe as a result of the commencement of Gazprom's Power of Siberia project.

In the U.S. TMK expects commodity prices to further support robust drilling activity throughout 2014. Following the final OCTG Trade Case decision the flow of imports and inventory levels should gradually decrease, which should positively influence the pricing environment.

The European pipe market is expected to largely remain unchanged in the second half of 2014.

Overall, for the second half of the year TMK expects a stronger set of results due to growing LD pipe sales, higher seamless pipe prices in Russia in line with stable raw materials prices as well as a gradual recovery on the U.S. market.

2Q and 1H 2014 IFRS Financial Statements are available at:  
[http://www.tmk-group.com/files/IFRS\\_TMK\\_6m2014\\_usd.pdf](http://www.tmk-group.com/files/IFRS_TMK_6m2014_usd.pdf)

#### 2Q 2014 and 1H 2014 IFRS Results Conference Call:

TMK's management will hold a conference call to present the second quarter financial results today, August 26, 2013, at 09:00 New York / 14:00 London / 17:00 Moscow.

To join the conference call please dial:

International call-in Number: +44 145 254 1003

US call-in Number: +1 646 741 2120

Russian call-in Number: +7 499 677 1040

Conference ID: 91048028

(We recommend that participants to start dialing-in 5-10 minutes prior to ensure a timely start of the conference call)

The conference call replay will be available through September 2, 2014:

International Replay Number: +44 145 255 0000

US Replay Number: +1 866 247 4222

Russian Replay Number: +7 499 677 1064

Replay Access Code: 91048028

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For further information regarding TMK please visit [www.tmk-group.com](http://www.tmk-group.com), as well as download the YouTube 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 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 assets structure by division:

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

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