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Technology Motion Knowledge

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Dmitry Pumpyanskiy: “TMK: 15 Years of Success”

Conquering the Elements



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TMK celebrates its 15-year anniversary



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»» ANNIVERSARY IN BROOKFIELD

The Brookfield plant of the American Division of TMK marked its sixth anniversary in March. The company is a leading supplier of premium tubular goods in the US market and a technology innovation center of TMK IPSCO. ■



»» KOC CERTIFICATION FOR OMZ

Orsky Machine Building Plant (OMZ), part of the TMK oil service unit, has been certified by Kuwait Oil Company (KOC), one of the largest oil producers in the Middle East, as an approved supplier of TMK UP FJ and

TMK UP SF premium threaded connections. This certification makes the company eligible for KOC tenders to select suppliers of such products for petroleum projects in Kuwait. TMK has been a long-time partner of KOC. We have supplied OCTG pipe made by TAGMET and VTZ to the Kuwaiti company. ■

»» ORDERS - TMK IPSCO

The American Division of TMK is implementing two high-profile tubulars production projects. Wolverine Pipe Line Company,

a major US oil transportation operator, ordered a shipment of 2,400 mt of welded line pipe, made to specifications of ExxonMobil, which is also involved in the Wolverine Pipe Line Company project. It was followed by another shipment of 2,600 mt for the same buyers.

DNOW, one of the largest international distributors, ordered 1,300 mt of seamless line pipe with

anti-corrosion coating for a pipeline project of OXY, one of the leading US oil and gas exploration and production companies.

Plants of the Russian Division of TMK—VTZ, TAGMET, and SintZ—manufactured the 2", 4", 6", and 12" pipe. It is the first time during the practical cooperation between American and Russian plants that a batch of products has been made as part of a single specification. ■



»» RECOGNIZING CORPORATE VOLUNTEERING

TMK has won the *Top Shape* award in the *Helping Hand* category in recognition of its efforts to promote corporate volunteering in the Urals and West Siberian region. The awards ceremony is the brainchild of the *Expert-Ural* magazine in partnership with PricewaterhouseCoopers (PwC). Some 4,000

TMK employees currently support various volunteer drives. The most popular projects involve charitable donations to orphans, underprivileged children, and the little ones battling brain cancer at Children's Regional Clinical Hospital No. 1. Sinara Charitable foundation is the operator of TMK charitable activities in the Urals region. ■



»» SAFETY TIME

TMK has joined the initiative of the World Steel Association (Worldsteel) to mark annual Steel Safety Day.

As part of this new commitment, production sites of all TMK divisions have been inspected and work areas audited with a focus on the most common causes of workplace injuries. Plant workers have attended trainings and drills on proper emergency response practices.

We have already made appreciable progress in making our industrial facilities a safer place. The number of

accidents decreased by 17% and their severity by 23% in 2015. The number of work days lost declined by 36%.

"Last year TMK adopted a company-wide occupational safety and health policy. In 2016, we joined the international movement for occupational safety. Now we observe Steel Safety Day along with leading metallurgical companies. Keeping our personnel safe is a key objective for TMK. We need to adopt the best practices of our colleagues," says TMK Board of Directors Chairman Dmitry Pumpyskiy. ■

»» LARGE-DIAMETER PIPE FOR GAS PIPELINES

TMK shipped 48,000 mt of large-diameter pipe (LDP) for the Power of Siberia and Ukhta-Torzhok-2 projects in August - September. In both cases, Gazprom took delivery of 56" LSAW K60 steel pipe with ID and OD anti-corrosion coating, rated for an operating pressure of 9.8 MPa. ■



»» CHALKING UP THE RESULTS

The annual general meeting of TMK shareholders took place in Ekaterinburg on June 8, 2016. The meeting approved the new version of the company's Charter, the annual report and financial statements, elected the Board of Directors and the Audit Committee, and approved a number of interested-party transactions. Ernst and Young was approved as the company's auditor.

The shareholders decided against paying out dividends for 2015. Seats on the newly elected TMK Board of Directors are filled by: Mikhail Alexeev, Andrey Kaplunov, Sergey Kravchenko, Peter O'Brien, Sergey Papin, Dmitry Pumpyskiy, Robert Foresman, Igor Khmelevskiy, Anatoly Chubais, Alexander Shiryayev, and Alexander Shokhin.

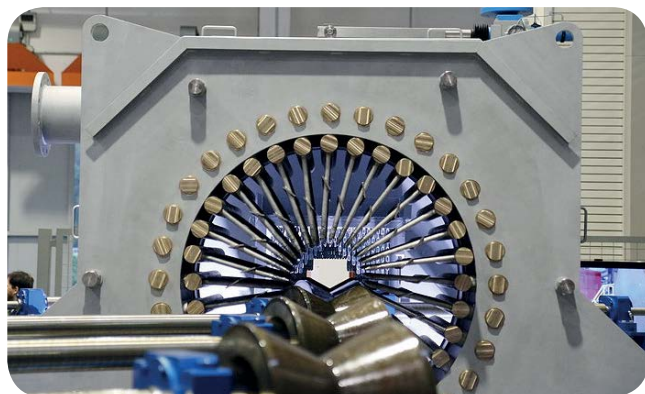
The Board of Directors made a number of decisions on June 14, 2016. The Board elected Dmitry Pumpyskiy as its Chairman. The Board voted to reelect Alexander Shiryayev as TMK CEO. Alexander Shiryayev, Andrey Zimin, Andrey Kaplunov, Alexander Klachkov, Alexander Lyalkov, Vladimir Oborsky, Tigran Petrosyan, and Vladimir Shmatovich were elected to the Management Board. ■



» FINISHING

The Italian company SMS MEER S.p.A. has been contracted to supply state-of-the-art equipment for seamless pipe heat treatment lines to be built at STZ and at the Romanian plant TMK-ARTROM. The contract covers the delivery of pre-quenching furnaces, tempering furnaces, and quenching equipment. SMS will be delivering pipe calibration and straightening equipment as well as closed-cycle water treatment equipment under separate contracts.

The line at TMK-ARTROM will have an annual capacity of 165,000 mt of heat-treated pipe vs. 265,000 mt at STZ. The Romanian plant is already designing the line, with deliveries scheduled to begin at the end of this year and the line to be commissioned in the 2nd quarter of 2017. Preparation of the site and construction of power supply facilities at STZ is planned for 2016-2017. Warranty tests and the commercial launch of the new line are scheduled for the 1st quarter of 2018. ■



» APPOINTMENTS



» SERGEY BILAN

Sergey Bilan has been appointed managing director of Taganrog Metallurgical Works (TAGMET). He previously served as TMK Works and director of TMK Neftegazservice (TMK NGS). The former plant director, Dmitry

Livshitz, has been promoted to TMK Vice President of Steel Production. ■



» VITALIY RUBEL

Vitaliy Rubel has been appointed CEO of TMK-NGS. He previously served as the Executive Director of this company. ■



» VLADIMIR KOLESNIKOV

Vladimir Kolesnikov has been appointed director of the TMK Central Asia business unit that consolidates assets in Kazakhstan (TMK-Kazakhstan trading company, Astana) and the production

company TMK-Kaztrubprom (Uralsk). This business unit will make it possible to more effectively use the opportunities available in the pipe market of Kazakhstan, where TMK is currently one of the leading suppliers, and also in other Central Asian countries of the CIS ■

» INNOVATIONS IN EDMONTON

The Edmonton plant of TMK IPSCO has developed and tested new equipment for reworking the ends of rejected pipe on a CNC machine, which has reduced the cycle time from seven minutes to five seconds. This project is an example of how time and resources can be saved without substantial investments. There are plans to implement this solution at rework stations of other TMK plants. ■



INTERVIEW WITH MR. PUMPYANSKIY

Celebrating fifteen years since the establishment of the company is good reason to reflect and take stock. It's an occasion to recall the chief milestones, draw conclusions, and think about the future. TMK Board of Directors Chairman Dmitry Pumpyanskiy shares his views on TMK, its past, present and future.



What are the main accomplishments of TMK over these 15 years? What major milestones have already been achieved?

For a modern company in a rapidly changing economy, 15 years is a fairly long time. Looking back at how things were in the very beginning, I must say that much has been done and we have come a long way. TMK was born out of the union of two Russian pipe plants – Volzhsky and Seversky. Currently we have over 30 plants all over the world: in Russia, Kazakhstan, Europe, United States, Canada, and the Persian Gulf region. Our production capacities are located in countries accounting for 80% of the global volume of drilling operations (the USA, Russia, Middle East, Canada). There is no single oil and gas company that is not using our products. We supply our products to over 80 countries. TMK is the world's largest producer of steel pipe by volume. We have not surrendered this title since 2009 and have no intention of doing so.

Alongside our production records, the R&D accomplishments of TMK are equally impressive. We devote a great deal of attention to developing our R&D facilities. The core facility is RosNITI, Russia's only tubular industry research institution. We went on to build an R&D center in Houston. Our third site will be the R&D center in Skolkovo, which will combine the expertise of the US testing facility with the materials science competencies of RosNITI to take over management of all R&D efforts of the company. It is here in the Moscow region—home to the headquarters of our major



FOR A MODERN COMPANY IN A RAPIDLY CHANGING ECONOMY, 15 YEARS IS A FAIRLY LONG TIME

customers—that the greatest R&D minds of the nation come together. It is important for us to have a center like this. It will develop tubular solutions for oil and gas industry professionals — new equipment that will boost recovery rates, improve the efficiency of production, and help develop unconventional reserves. Our Skolkovo facility will also be the site of our TMK Global University that will become a center for generations of new knowledge and professional development.

Why does TMK pay so much attention to science?

We not only make regular tubular products, but science-intensive tubular products with unique properties. They are designed for producing oil and gas under extremely challenging conditions. Of course, we also produce pipe for conventional production of so-called conventional oil and gas and are the number one supplier to such Russian companies as Rosneft, Gazprom, Supplier, LUKOIL, Gazprom Neft, Tatneft, Bashneft, and others.

Yet production companies increasingly face complex tasks such as production under permafrost conditions and in corrosive environments of hydrogen sulfide or carbon dioxide. Such projects require special steel grades that cannot be bought off the market or ordered from a local supplier. At TMK we develop such steel grades along with high-strength alloys and do so jointly with our partners—the actual consumers—who formulate the task

for us. For example, at the Astrakhan Field where hydrogen sulfide levels exceed 28% and downhole temperature is over 400 °C, a carbon steel pipe burns up before reaching the hole bottom. On a commission from Gazprom, we developed pipe made from a special alloy called TMK-C — a complex alloyed steel with close to 35% of iron, with the rest divided between chromium and nickel. Such pipe are resistant to the corrosive effect of the environment.

Which products are the TMK calling card for oil and gas production companies?

Our premium connections threaded onto OCTG pipe are one of our fortes, and we are far ahead of the competition in this area. In the first nine months of this year, the TMK share of the Russian premium products market exceeded 80%. Our premium products are unique in terms of their features and design. They help our customers solve highly complex tasks.

Pipe strings are run to great well depths both vertically and horizontally. Such conditions call for using high-strength pipe with premium-threaded connections that ensure a leak-tight structure. Such connections must be immaculate in terms of tightness, which requires expertise in the metals industry and mechanical engineering. Such threads are created in just four or five centers in the world that use highly sophisticated mathematical modeling techniques.

TMK is the only Russian company to possess this competency. We started exploring the premium solutions as soon as TMK was established, with an all-out effort in this field beginning about 10 years ago. We formed TMK-Premium Service, a specialized company that develops premium threaded connections for particularly challenging operating conditions. When TMK was joined by our American assets, we combined the efforts of Russian and US engineers to create the family of our premium connections under the TMK UP brand. In addition to our in-house engineers, we have our own testing facilities at our R&D centers. Having our own testing site considerably speeds up the market release of premium products subject to the particulars of each order.

All Russian and many international oil and gas companies are customers of TMK's. Which projects use the most TMK pipe?

In terms of large-diameter pipe, virtually all major pipeline projects of Gazprom and Transneft rely on our pipe. As for tubular goods for field development, TMK is an undisputed leader in this market. The Vankor Field of Rosneft is virtually resting on our pipe and a large number of Western Siberia fields being developed by Rosneft, LUKOIL, Surgutneftegaz, Bashneft, and other companies use our pipe. Development of LUKOIL fields in Komi also relies on TMK pipe, and supply premium Russian-made tubular goods for offshore projects. In Russia these include the LUKOIL fields in the Caspian Sea and the Prirazlomnoye Field of Gazprom Neft in the Pechora Sea.



Much of the field infrastructure in the CIS—in Kazakhstan, Uzbekistan, and Turkmenistan—largely consists of TMK pipe. Speaking of international projects, TMK is involved in the so-called shale revolution in the USA. This market is currently going through a rough patch due to the global slump in oil prices, but this does not make it any less relevant. Up to 40% of integral premium connections used them gas field belong to our TMK UP line. Our products are also used at other well-known shale deposits (Utica Shale, Bakken Shale). Several of our plants are operating in Texas, the heart of the US oil industry where some 40% of all American oil is produced. Here we not only supply them but also service pipe for customers throughout their life cycle.

VIRTUALLY ALL MAJOR PIPELINE PROJECTS OF GAZPROM AND TRANSNEFT RELY ON OUR PIPE

WE MAKE NOT JUST REGULAR TUBULAR PRODUCTS, BUT SCIENCE-INTENSIVE PIPE PRODUCTS WITH UNIQUE PROPERTIES

Our tubular products are used in the Persian Gulf countries, primarily by ADCO in the United Arab Emirates. Our major consumer in Saudi Arabia is Saudi Aramco. For 10 years now TMK has been among the approved suppliers of casing pipe and line pipe to this company. National oil companies of Kuwait are also our partners. Our TMK GIPI pipe plant in Oman is a major supplier of state-owned Oman Oil Company.

Has modernization of production facilities contributed to TMK successes in new product development and sales growth?

I believe the entire TMK team and company management should be thanked for deciding against using the capacities we inherited from the Soviet Union. If we had gone down that road, we would have used them for 10 years at most and then vanished from the market by now. The modern market demands products of a new quality and new technologies. We understood this from the outset and have invested close to \$4 billion in retrofitting and retooling of our plants. The Taganrog Metallurgical Works and Seversky Tube Works have been rebuilt from scratch. They feature new steel smelting facilities and new pipe mills. Other than TMK, no other Russian company has built any hot rolled pipe mills to this day. These are investment-intensive projects, and I believe our equipment will not see any equivalents in the coming five years.

Yet pipe rolling and steel smelting capacities mean little without

special pipe finishing facilities. We have installed such equipment at our plants: threading, upsetting, and heat treatment lines, and a large number of finishing operations that shape the final properties of our products that define their quality. At the Volzhsky Pipe Plant, we have essentially rebuilt the production of large-diameter pipe, made major improvements to the manufacture of SAWH pipe, and launched production of LSAW pipe that are currently involved in all flagship pipeline construction projects. The pipe production facilities at the Sinarsky Pipe Plant have also undergone a great deal of retrofitting, featuring new threading lines and heat treatment capacities.

What upgrades have been made to plants in Europe and America?

Our Romanian assets got a second lease on life. TMK-RESITA turned into a modern electric arc furnace facility, while TMK-ARTROM has become one of the leading European producers of precision mechanical and automotive pipe. We are proud to be suppliers to major European carmakers and machinery producers that use pipe made at our Romanian plants.

We currently have a substantial set of production facilities in the USA. TMK IPSCO sites have been upgraded, with new equipment installed. We will continue investing in our seamless pipe production facility in Ambridge and our steel mill in Koppel. We are pinning great hopes on our American Division when it comes to developing

production of high-margin products.


TMK GIPI is successfully developing in the Middle East. This is our most advanced plant that produces welded pipe with the widest possible range of dimensions in terms of pipe diameter and wall thickness. They are made using the high-frequency welding technique. I view this plant as an anchor that will firmly secure our foothold in the key oil market of the Middle East and North Africa.

Does this mean that your equipment is mostly taken care of and you do not need to increase your production capacities any further?

Our existing capacities are sufficient. We do not need any more capacities considering the current market situation in Russia and the rest of the world. Still we are definitely going to make targeted improvements, eliminate bottlenecks and tap new markets so these investment programs will continue. They enable us to offer our customers products of an even higher quality. Customer needs evolve, which is incentive for our continual improvement. There is also the task of expanding into new niches where we are not present yet, even though they are very few in number.

What are the current strategic goals of TMK?

The main goal for any industrial company is to grow confidently, increase market share, expand the product mix and range, and broaden the coverage of sales markets. We



are an industry-specific group and a pure-play company in this sense. We make pipe — a complex product that undergoes machining with a large number of process phases and with elements of composite materials. We also develop our oil field services business. Yet in our understanding it is the same chain, a continuation of the same process. I believe that TMK as a business unit should adhere to this strategy, continue improving the quality of its high-margin products and oil and gas services involving tubular goods.

Over the past 15 years, we have realized an extremely important factor that is currently shaping all of our business processes and the company's market positioning. It is absolutely necessary to be a modern company, own the latest production technology, and manufacture high-quality tubular goods, but this is not enough. To enjoy a confident market presence, we need to interact with our buyers, keep up with the customers and anticipate their plans for today, tomorrow, and well into the future. When we do so, the consumers will work with us and incorporate our tubular solutions and materials into their projects. Management and rank-and-file employees should have a clear understanding of our attention-to-customers priority. The farther we get the more important our customer relations become.

Does proactive import substitution fit this philosophy of customer relations?

Import substitution has become a major trend in the Russian economy over the last couple of years. It was caused by the unfortunate political developments and sanctions imposed by a number of countries on the Russian Federation. On the one

hand, this situation created certain challenges for the market operators. Yet there are obvious advantages for manufacturers that have been afforded an opportunity to fill the niches that have been vacated. It's a good thing that by this time TMK had been fully retrofitted and was ready to manufacture any products that had been previously imported by Russian buyers. We solved this problem in the space of two years. Gazprom has now switched almost entirely to Russian-made tubular product. What's more, TMK and Gazprom have signed a "thing of the future" contract, under which we are already developing next-generation products. It once seemed that such fields as Chayandinskoye and Kovykta could not be developed without international vendors. Now Gazprom is implementing these projects while relying on our products. Tatneft had a similar problem, having previously used foreign-made pipe to produce high-viscosity oil. When the international vendor left, we had a ready-made solution and replaced foreign deliveries in just two months. Rosneft will develop the Arctic shelf using tubular solutions by the Russian Division of TMK. We have also signed long-term R&D partnership programs with other oil and gas industry majors such as Gazprom Neft, LUKOIL, Surgutneftegaz, and Bashneft.

So looking at our practical experience and tasks, we are discussing proactive import substitution and the need to look forward.

What changes in the modern world have affected the pipe business?

We are part of the global economy and depend on external trends and challenges. This is undoubtedly the main factor that affects our current agenda.

Speaking of the more general and conceptual trends, the lineup of industries is changing, with new industries that had previously seemed insignificant coming to the fore. I remember how, as a school student, I would stop in a computing center that had ten enormous rooms with lots of boxes, all manned by a staff of 20. At the time, few understood the meaning of this heap of hardware. Now our lives are unimaginable without IT. Information technologies are no longer an auxiliary function but have become a part of our lives and are making active inroads into our business. We should expect major changes in this industry over the next 10-20 years; we need to adapt to this new reality and learn to live in this new hi-tech environment.

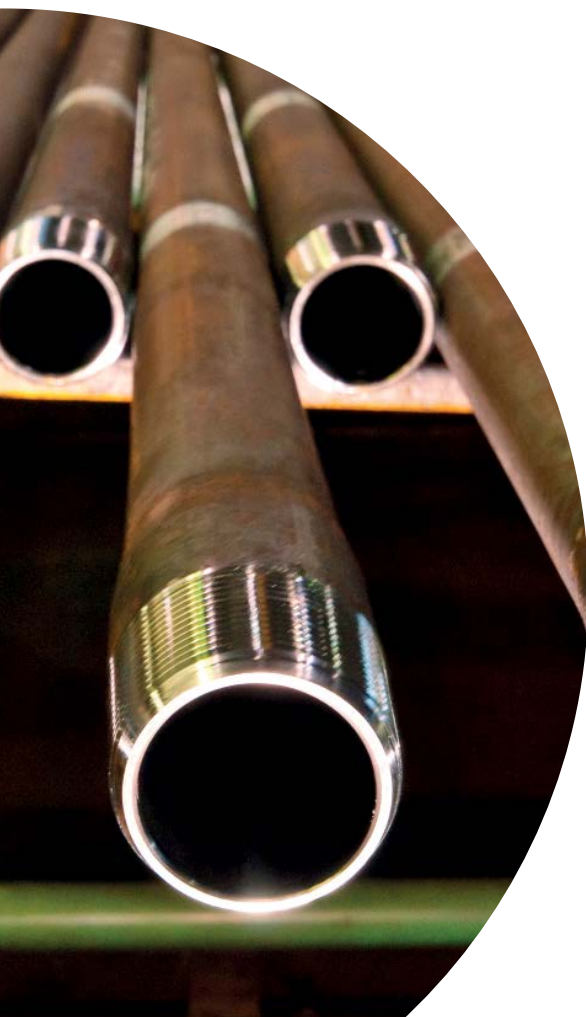
Will the market for conventional materials suffer as a result of these new trends? Will we be able to say reliably which pipe are better ten years down the road?

The answer is still steel pipe, despite the variety of materials that are currently replacing steel. In the middle of the previous century, steel accounted for up to 95% of all structural materials used. This share has declined to

In this age of new technologies, is TMK interested in developing and training employees in various areas, not just the company's core business?

Absolutely. I aspire to continue learning throughout life and consider the quest for knowledge an integral quality today. Over the next few years, we will come face to face with a new understanding of the level of labor productivity,

TO ENJOY A CONFIDENT MARKET PRESENCE, WE NEED TO INTERACT WITH OUR BUYERS AND KEEP UP WITH CUSTOMERS AND ANTICIPATE THEIR PLANS FOR TODAY, TOMORROW AND WELL INTO THE FUTURE



about 70% globally as technologies evolved, non-ferrous alloys were invented, and new composite materials were discovered. And yet steel has revolutionized the market over the past 15 years, as global consumption of steel has now doubled from 750 million tonnes a year in the 1990s. No other materials have seen such unprecedented growth despite niche replacements. According to various forecasts, steel will account for 60% of all structural materials used by the end of the 21st century. Accordingly, steel pipe as an integral part of steel products (with about 10% of all steel used to make pipe) will serve as the main product used in various pipeline transportation systems and in other sectors that use pipe.

which is why narrowly specialized professionals will have a very hard time under the new conditions. Some occupations die off and new ones appear, requiring employees to quickly master them and change their profiles. When there is an opportunity to combine occupations, undergo appropriate training and achieve personal development, we welcome such opportunities and already have incentive programs in place. We devote a great deal of attention to professional development of young employees. TMK has created an environment that helps unlock the hidden talents of professionals in all walks of life, which in turn contributes to continued growth of the company and its continual progress.

MOBILIZING IN ANTICIPATION OF GROWTH

The American market for tubular goods has been through some tough times due to both a slump in demand in the wake of plummeting hydrocarbon prices and mounting competition. And yet Piotr Galitzine, TMK IPSCO Chairman and CEO, believes that the crisis is a time to mobilize. The company is trying to regroup so as not to simply cut losses but to also prepare for the upcoming market recovery.



Our production, sales and shipment program for 2016 was put together taking into account the bad state of the sector, the continuing low oil price resulting in low gas prices, and the unflagging pressure exerted by imports. In light of this, the program is fairly pragmatic and aims to minimize financial losses while getting into positive territory toward the end of 2016 or early 2017.

We have also changed our approach to planning. This process has been simplified, with the planning team being given greater freedom of action to react quicker. In the face of low prices for our products, we try to ensure a closer interaction among the sales, finance, operations and production planning departments to be able to respond to changes in market demand in a more flexible way.

When it comes to sales, we have put together and successfully implemented the program of regional mapping that we call Regional Ranking. This has given us a fresh perspective on the American Division market and all oil and gas production companies

operating in the USA. We have analyzed the quantity and types of wells down to very detailed technical information and studied consumption of pipe in the United States over the past few years by size, wall thickness and grade. The scope of work completed is enormous. As a result, we have identified 245 potential additional US customers with whom we can do business. This has almost

doubled the number of companies to which we can potentially sell our products.

Mr. Galitzine, did this survey cover the entire market or specific regions only?

We did concentrate on the biggest regions: Marcellus, Permian, Eagle Ford, Midland, Bakken and



Mid-Continent. Each one of them comes with its own idiosyncrasies, traditions and performance characteristics. For instance, in the Denver-Julesburg basin in Colorado it takes our customers four days to drill a 22,000-foot well due to very soft formations. Meanwhile, in Marcellus it takes 10-11 days to drill an 18,000-20,000-foot well. The difference is obvious. The Permian basin is of great interest to us because there are close to 150 rigs there, and our customers continue to step up their drilling operations. By contrast, there are fewer than 50 rigs in Marcellus and about the same number in Bakken.

Do you have any examples of successful cooperation with new customers following the introduction of the regional strategy?

Yes, we do, and quite a few, too. We have been able to attract customers previously unknown to us as well as known customers with whom we had not done much business yet. With some of the customers we had previously worked with in a certain region we need only to expand our cooperation to other regions now.

Needless to say, given the current market situation these customers do not come to us with 20,000 ton orders. They bring much smaller volumes, but the important thing is that we have started working with new customers amid the crisis. This will enable us to grow together in the future as the market recovers.

Which products are currently most in demand?

Unfortunately, over the past year and a half oil and gas production companies have simplified their approach to different formations. This means a switch from premium to semi-premium connections. Customers that previously used semi-premium connections now prefer API connections. The same goes for pipe. While customers were previously interested in corrosion-resistant products, now they opt for pipe with less advanced characteristics. Yet this is a temporary trend consistent with the current market. Companies are concentrating on cutting costs by as much as possible because many of them are overextended.

The customer is always right, so naturally we supply products that

enjoy demand. As the market comes back, however, we expect the order book to change both quantitatively and qualitatively. We look forward to higher demand for the more advanced products: T95, 13Cr, high-torque connections and TMK Completions products.

What is the share of Russian-made pipe in your shipments?

The import program has always accounted for 15 to 25% of monthly shipments. Products by Russian plants complement our product mix and remain a key tool in our arsenal. We started importing Russian and Romanian pipe into the US market more than six years ago. These products have earned a good reputation in helping the United States develop its oil shale potential.



EVERY COMPETENT COMPANY USES
THE CRISIS TO BRING ITS HOUSE IN
ORDER WITH THE UNDERSTANDING
THAT THE MARKET WILL RECOVER
SOONER OR LATER

SEARCHING FOR NEW BUSINESS STREAMS

The European Division of TMK was formed eight years ago out of the union of the Romanian plants TMK-ARTROM and TMK-RESITA and the trading companies TMK Europe and TMK Italia. Despite the intense product and price competition in the European market, the European Division—specializing in manufacturing and supply of seamless pipe for industrial applications—has secured a firm foothold in its niche and continues growing. TMK European Division CEO Adrian Popescu shares some insights.



Mr. Popescu, the situation in the European market remains challenging: low demand, overcapacity, and low prices of pipe. How does the European Division manage to operate successfully under such conditions?

If you look back to the first year after the launch of the European Division, the major slump in demand for steel products precipitated by the crisis of 2008-2009 dealt a heavy blow to our performance. Nonetheless, swift and appropriate management responses mitigated the adverse effects. Through a collaborative effort we succeeded not only in retaining our market share but also significantly expanding the boundaries and scale of our presence. We streamlined all interactions between the production and sales departments, which enabled us to work more efficiently. We were able to hear our customers and promptly respond to their needs, swiftly react to market changes and resist external adverse factors more effectively.

The European Division sales team offered customers the entire range of TMK products. This not only enabled us to increase the number of product items we offer but also expand into the European market with a larger number of solutions.

Over the years we have achieved impressive results in balancing and coordinating the TMK business in Europe. Our sales system has proven its effectiveness and continues to work for us. For this reason, management decided to use this model to develop sales of mechanical pipe on the other side of the Atlantic, and another trading company of the European Division—TMK Industrial Solutions—has been recently established in Houston, USA.

What are the current results of the European Division's performance and market standing?

Despite the complicated market situation, last year we sold 178,000 mt of pipe, or just 3% less than the year before. In the first six months of this year we've shipped 88,000 mt of pipe, or 3% more year-on-year. European countries are the core market for Romanian plants of TMK, with 62% of TMK products sold there. TMK-ARTROM controls a 42% share of the domestic market and accounts for 60% of total Romanian exports of tubular goods.

How has the TMK investment program to upgrade production capacities affected the European Division plants?

Upgrades performed at the Romanian plants have been an excellent capital investment. All transformations took place under the leadership of TMK and plant management and in close collaboration with European Union representatives. The EU both approved and monitored the integrated TMK investment program, providing for the upgrade of the joint process facility consisting of the TMK-RESITA metallurgical plant and the TMK-ARTROM pipe

UPGRADES PERFORMED
AT THE ROMANIAN
PLANTS HAVE BEEN AN
EXCELLENT CAPITAL
INVESTMENT

plant. Substantial investments were channeled into upgrades of the production facilities. The plants received modern high-performance equipment and new technologies compliant with international best practices as well as streamlined production processes.

The upgrades turned TMK-ARTROM into a leading European manufacturer of primarily seamless pipe for industrial applications, while the TMK-RESITA plant was ramped up to an annual capacity of 450,000 mt of stock material, most of which is made from steel grades suitable for filling orders from TMK-ARTROM customers.

Creation of the joint metallurgical facility that controls the production process from the scrap metal phase to production of hi-tech tubular goods in Romania has added genuine value to the TMK business in Europe. Today TMK-ARTROM is a manufacturer of mechanical pipe capable of offering solutions to customers on short notice. This is the key to our plant's success under the current conditions.

What are the future targets for investment?

In order to keep up with the constantly changing requirements of one of the most complex markets, it is important not to become complacent. We evolve constantly, which helps us to retain existing and secure new market positions. By 2015, the European Division of TMK had implemented a range of important initiatives. For example, we are producing new types of steel and alloys with a higher added



Finishing line equipment
TMK-ARTROM

value and are manufacturing new products intended mainly for the automotive and power industries.

In 2015, TMK-ARTROM launched finishing equipment with a capacity of 25,000 mt of pipe per year in Shop No. 5. Now that it has mastered a new process phase level in pipe production, the European plant of TMK will bring new premium products for use in manufacture of hydraulic and telescopic cylinders to the market. Such cylinders have applications in hoisting equipment, sophisticated industrial machinery, automotive and aircraft industries. The production of high-margin pipe for hydraulic cylinders is one more step towards TMK expansion to new markets and transition to mechanical engineering products with a higher added value.

Is the project to build a heat treatment bay currently underway at TMK-ARTROM also part of efforts to increase the share of high-margin products?

Absolutely. The heat treatment bay will enable us to manufacture heat-treated pipe with enhanced

operational parameters, which means greater added value. Note that energy market liberalization has had an instantaneous effect on the price of electricity, natural gas, and other energy resources, pushing up the costs for manufacturers. The constantly rising energy prices have also driven us to increase the share of products with a higher margin in our total output. As for customer preferences, we see an obvious trend whereby demand is growing for the more complex and high-quality mechanical pipes, the same way this is happening in the OCTG segment. Premium products in our sector are pipes with advanced mechanical properties achieved by using steel alloys or micro-alloys, which have undergone quenching and tempering, as well as pipes cut to size according to customer specifications. Top European manufacturers are currently shifting into this segment where competition is mounting. This makes the launch of additional finishing capacities to lend pipes the properties customers look for a correct and timely measure that will give us a greater competitive edge.

By Way of INTRODUCTION

Industry trade fairs and conferences offer a chance to interact with customers and partners directly, showcase achievements, and get a first-hand assessment of the company's performance. TMK has been featured in well over 1,000 various expos and conferences in the past 15 years, doing its best to present the latest information about the company in an interesting format. Last spring was no exception. TMK participated in the TUBE 2016 international trade fair in Düsseldorf (Germany) and the Offshore Technology Conference (OTC) in Houston (USA).

We have come up with a number of new formats, such as festive ceremonies to award dealership certificates for the following year as part of the Metal-Expo trade fair. Other advertising activities include applied research conferences, lunch-and-learn presentations for buyers, and regular TMK receptions that have become the company's calling card at major industry fairs.

In the words of Andrey Posokhov, TMK Group Brand Manager, Head of Advertising & Products Promotion Department, "Participation in trade fairs and advertising is one of the key tools for promoting products to customers. It shapes the revenue side of the budget by boosting sales and maintaining a positive image among existing and potential buyers. Participation in trade fairs offers TMK an excellent opportunity to showcase its latest achievements and provides an

ideal platform for meetings with buyers, partners, and suppliers.

"TMK has been continuously improving its exhibition activities over the past 15 years. We have switched from disjointed participation in separate events to clearly structured program-based work. The Advertising & Products Promotion Department currently uses an integrated approach to planning the company's advertising and exhibition activities for two years ahead.

"True to the spirit of the times, TMK is currently upgrading its expo activities by expanding the use of digital technologies. Virtual reality solutions, touch screens, mobile apps, 3D models, and other digital technologies make TMK booths truly informative and interactive. This ensures that every guest receives exactly the information they are looking for. This approach ensures a long-term effect of industry events whereby contacts made during them ultimately turn into actual contracts."

TMK has been featured in over 1,000 exhibitions and conferences over the past 15 years.





« This year's traditional reception for customers and partners was dedicated to the 15th anniversary of TMK.



» Adrian Popescu thanked partners for cooperation at the gala reception in Düsseldorf.

opportunities and key TMK milestones.

"TUBE allows meeting with representatives of several companies at once, saving us a great deal of time. This would have taken us several months outside of this trade fair," says Alexander Klachkov, TMK Deputy CEO and Chief Engineer, who headed the company's technical delegation at the fair, adding, "This year's fair was highly productive. We managed to hold all of the planned meetings with 14 equipment suppliers, with whom we will no doubt continue discussing the business issues of technical collaboration that we touched upon at the fair."

The TMK booth mostly attracted European buyers of pipe for industrial applications. There

TMK HAS BEEN FEATURED IN OVER 1,000 CONFERENCES AND EXHIBITIONS OVER THE PAST 15 YEARS

EDGING TOWARDS THE FUTURE

The TUBE 2016 international trade fair held in early April is considered the main event of its kind for the world's tube industry. TMK experts maintain that such industry fairs offer a chance to both show off the company's own capabilities and track patterns and trends of the global industry. The previous expo, which was dominated by the subject of market transformations, had the slogan "Markets in Motion."

Despite the seemingly adverse price trends, industry experts generally speak of a positive outlook. They believe that significant changes in the market landscape are just around the corner due to intensifying globalization processes. Just like at this year's World Economic Forum in Davos, one of the most discussed topics at TUBE 2016 was the growing role of digital technologies in the modern world and the resulting transition to Industry 4.0, or the fourth industrial revolution. Robotization and digitization, localization of production, customized orders tailored to customer

specifications are all part of the current trends. Such economic shifts require companies to adapt their own business models to the 4.0 format and look for niches to grow into.

The TUBE 2016 booth of the TMK delegation covered the complete product lineup and service capabilities of all divisions. The TMK booth was manned by reps of four TMK offices: Germany, Italy, Romania, and Moscow. A presentation of TMK UP premium threaded connections was specially accentuated. They were featured in a dedicated technical catalog in three languages on interactive touch panels along the booth perimeter. It allowed for choosing the pipe diameter, wall thickness, steel grade, and premium thread type to individual customer specifications. Visitors could also watch a documentary about the company and various pipe manufacture technologies, learn about investment



TUBE 2016 IN FIGURES

1278 EXHIBITORS
FROM **51** COUNTRIES

548,000
SQ FEET OF
EXHIBITION
SPACE

69,500

VISITORS FROM

130 COUNTRIES



WE ARE THANKFUL TO
OUR PARTNERS FOR
GIVING US CHALLENGING
ASSIGNMENTS



TMK reps discussed current steel pipe market trends in a panel discussion hosted by SMS Group.

was also an interest expressed by buyers from the US, Middle East, and Russia, who mostly inquired about OCTG pipe. Aside from the expo, TMK also took an active part in the industry conference. TMK, Vallourec, Tenaris, and Arcelor experts joined a discussion of current trends in the steel pipe market at the SMS Group booth with representatives of the industry publication Metal Bulletin Research (MBR).

Staying true to tradition, TMK held a reception for partners and customers as part of the TUBE fair. Attended by representatives of some 100 companies from all over the world, this year's reception was dominated by a celebration of the 15th anniversary of TMK. A friendly atmosphere and live music made for a memorable event hosted by Hyatt Regency Düsseldorf Hotel, which also proved highly fruitful in terms of opportunities for discussing business with buyers. The evening culminated in the wheel-out of a 15-kilogram festive cake with the TMK logo and small fireworks.

"TMK has achieved great success in 15 years, becoming one of the global leaders in the manufacture

of steel pipe. TMK has plants with state-of-the-art equipment and technologies all over the world. We are thankful to our partners for giving us challenging assignments. We focus on engineering and setting up production of new hi-tech products that will help our customers accomplish their current objectives," said Adrian Popescu, CEO of the European Division of TMK, when he addressed reception guests.

FOCUS ON INNOVATIONS

In early May, TMK participated in another major event – the Offshore Technology Conference (OTC). The history of the OTC is nearly half a century long. It was launched in the late 1960s to meet rising demand for cross-disciplinary and cross-sectoral solutions for development of fields in the world's oceans. It has become one of the key petroleum industry events and is more relevant than ever before for offshore industry companies, zeroing in on drilling, exploration, hydrocarbon production, and environmental protection innovations.

This year's OTC centered on ways to boost efficiency of offshore

🚧 We are thankful to our partners for giving us challenging assignments.



OTC 2016 IN NUMBERS

2,600 EXHIBITORS FROM **47** COUNTRIES

672,000
SQ FEET OF EXHIBITION
SPACE

68,000
VISITORS FROM 120 COUNTRIES



11 PANEL
DISCUSSIONS

24
PRESENTATIONS
AT BUSINESS
BREAKFASTS
AND LUNCHES

OVER **325**
TECHNICAL
REPORTS

operations while ensuring their safety. Among the featured technologies were those that help save operator costs, make operations safer and more cost-effective, and allow using radio frequency identification (RFID) for exact tracking of drill pipe. Information about emerging markets all over the world attracted a great deal of attention.

TMK has participated in the OTC for the past eight years. Continuing with the concept of a unified recognizable style in booth design, this year TMK unveiled a booth shaped as a stylized large-diameter pipe stretching into infinity and decorated it with over 100 photos of workers from all of the company's plants. TMK showcased an extensive range of its products in Houston, including premium threaded connections of the TMK UP family.

Tony's restaurant also hosted the now traditional TMK reception. It brought together over 150 partners and customers, including top executives of many international oil and gas production companies. Channeling 19th-century Paris, the reception featured paintings and posters

that recreated the ambiance of the hospitable French capital. An unusual and interesting entertainment program of the evening provided the perfect background for establishing new ties and discussing issues of ongoing cooperation.

"In the current inauspicious market situation we have come up with a strategy to improve performance of our American Division in the segment of seamless pipe with premium connections. We are also expanding the share of the market for welded pipe and developing new solutions for customers, such as the integrated package of products and services by TMK IPSCO and TMK Completions. Needless to say, we cannot influence the price of hydrocarbons. We continue to focus on you—our customers—by offering quality tubular goods and servicing. We thank you for your cooperation, a professional approach to solving challenging tasks, and your support," said Piotr Galitzine, Chairman of the TMK IPSCO Board of Directors, as he addressed the audience.



🚧 The festive reception in Houston channeled 19th-century Paris.



10 YEARS ON THE LONDON STOCK EXCHANGE

TMK hosted its 4th annual Investors' Day in London. The meeting with the investor community was timed to coincide with the 10th anniversary of TMK's listing on the London Stock Exchange (LSE) and the 15th anniversary of TMK as a company. Senior management discussed TMK's current performance and future outlook, its growth strategy and competitive strengths.

On the occasion of the anniversary of the TMK stock listing on one of the world's oldest securities markets, LSE management invited TMK Board of Directors Chairman Dmitry Pumpyansky to join the LSE Market Open Ceremony. During the festive ceremony, the TMK chief executive took turns with LSE CEO Xavier Rolet delivering congratulatory speeches and thanking each other for cooperation.

» CEO of the London Exchange Xavier Rolet presents Dmitry Pumpyanskiy with a plaque to commemorate the 10th anniversary of TMK's listing on LSE.



The Investors' Day officially kicked off after a series of interviews with TMK executives by journalists of leading business and industry media – Bloomberg, Platts, Metal Bulletin and Sky News. The meeting with TMK senior management in London drew over 50 guests. Among them were analysts with flagship international banks and funds – VTB Capital, Barclays, Credit Suisse, Goldman Sachs, JP Morgan, Morgan Stanley, as well as existing and potential investors in TMK. The meeting could also be followed remotely via a direct audio feed broadcast via the company's official website, and six dozen listeners did just that.

With TMK Board of Directors Chairman Dmitry Pumpyansky



TMK presented its photo installation “Tube or not Tube” based on the works of art by well-known artists from different eras and in different styles but with themes broadly related to modern pipe production.

presiding over the meeting, the current market situation, strategic plans, and performance of TMK were discussed by TMK top executives: TMK IPSCO Chairman and CEO Piotr Galitzine, Vice President for Strategy and Business Development Vladimir Shmatovich, and TMK Marketing Director Sergey Alexeev.

In his introductory speech, **Dmitry Pumpyansky** commented on how special this year is for the company, with TMK marking two important anniversaries: 10 years since the LSE listing and

15 years since the company was established.

“These are two key milestones that allow us to take stock of how far we’ve come. Time and again we become convinced of the correct choice of our strategy that has enabled the company to evolve into a global producer of tubular goods.” He went on to say that despite all the challenges the oil and gas market is facing, the company has managed to retain its leadership, which leaves TMK with its key objective to make business processes more efficient and to

KEY OBJECTIVE IS TO MAKE BUSINESS PROCESSES MORE EFFICIENT AND TO REDUCE THE DEBT BURDEN

COMMENTARY



MARINA BADUDINA,

Head of Strategic Investment Analysis and Investor Relations Department.

Which formats of investor and analyst relations does TMK use?

We use virtually all of the common

formats of interaction practiced in this field: the TMK IR website, one-on-one meetings during roadshows and investment conferences and at the Moscow headquarters, regular telephone conferences, prompt replies to email inquiries, and, last but not least, the annual Investors' Day. We have also resumed the practice of arranging tours of the company's largest production assets for representatives of the investor community, which naturally helps them understand our business at an altogether different level.

What's your assessment of 2016 Investors' Day and what has been the investor community's response? What have the investors and analysts been most interested in this year?

I believe that we become better with each passing year and acquire new experience in hosting such meetings with investors and analysts, which is reflected in their highly favorable evaluation of such events. 2016 was no exception. Representatives of the investor community highly value the opportunity to communicate face to face with TMK senior management. It provides a chance to ask questions about TMK's financial strategy, operational efficiency, and future goals. This year the investors were particularly interested in the future prospects of the North American tubular goods market in general and TMK IPSCO specifically.



reduce the debt burden. "In the current situation, the trump cards of TMK are its unique capacities for producing competitive hi-tech tubular products, its own R&D and testing facilities, and an extensive sales network. We plan to increase the share of our high-margin products while remaining the leading pipe producer in Russia and one of the best OCTG manufacturers in the USA."

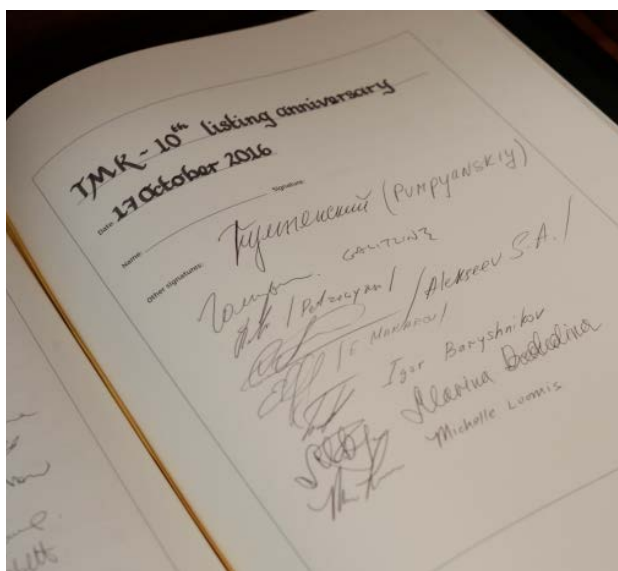
Members of TMK's delegation signed the LSE guestbook.



Marketing Director **Sergey Alexeev** offered a detailed account of the situation in the Russian pipe market. According to him, demand for pipe in Russia is stable as major companies are stepping up their drilling operations, and forecasts show that these trends will persist. TMK dominates the

Russian market with 68% of the segment of seamless OCTG pipe and 81% of the premium OCTG pipe in 2016.

TMK IPSCO Chairman and CEO **Piotr Galitzine** discussed a recovery in the North American pipe market, which began in the 2nd quarter





of 2016 after a lengthy slump in demand for tubular goods against the backdrop of low oil prices. As a result, the American Division of TMK shipped 54.8% more tubular goods in the 3rd quarter compared to the 2nd quarter, which includes a twofold increase in shipments of seamless pipe. The company also implemented more stringent cost controls, managing to reduce costs per metric ton of product by 34% in 2016 alone. TMK IPSCO also created a new market expansion strategy that has already produced a 28% increase in the number of new clients year-on-year, as well as a new made-to-order approach that reduces the accumulation of inventories.

According to Vice President for Strategy and Business Development **Vladimir Shmatovich**, by 2019 the company is planning to reduce its debt burden to 3.0 times net debt/EBITDA and in

« Approximately 50 guests attended meetings with TMK's top-managers.

« Dmitry Pumpyskiy opens the trading day on LSE.

»» COMMENTARY



IGOR BARYSHNIKOV,

Director of Strategy, Risk Management, and Investor Relations

TMK went public in October 2006, being the first of the Russian steel pipe makers to have its stock listed on the London Stock Exchange. How has the company's relationship with the investor community progressed over the past 10 years?

The past decade has been very eventful in the stock market. We witnessed some favorable periods with high oil prices and experienced two crises – the 2008 crisis and the current economic crisis. In dealing with investors, we have always been guided by principles of openness and consistency. It is easy to sell corporate stocks and bonds when things are going well. Yet at a time of crisis, investor meetings are tough. Many complex and uncomfortable questions are raised and need to be answered. It is important to remain open irrespective of the financial situation in the market, meet with investors and regularly keep market operators up to date. It is equally important to be consistent in one's promises, forecasts and dividend policy. We have stood by those principles for 10 years, so now TMK has a solid reputation in international capital markets. Our company is perceived as an oilfield service company and ranked on a par with our largest international competitors.

How do you make TMK securities more appealing and what tools do you use to that end?

We are very active in this regard. We have recently hired a market maker on Moscow Stock Exchange to increase the liquidity of TMK stock. In late November we hosted the first Investors' Day for local investors on Moscow Stock Exchange. We have seen a growing interest in the local market, so we try not to leave any slack in what we do. This year we have also been working actively with local brokers, who have either started or resumed analytical coverage of TMK including Aton, Okritie, and VTB. BKS started covering our company prior to TMK's relationships with the three new brokers and continues to do so. We also interact actively with international investors using a wide range of tools.

APPROXIMATELY 50 GUESTS ATTENDED MEETINGS WITH TMK'S TOP-MANAGERS

the long term to 2.5 times net debt/EBITDA. He also made it known that TMK has arranged to refinance \$237 million of debt payable in the 4th quarter until the 4th quarter of 2019. The company sees future growth opportunities in improving its product mix from the current level

of hi-tech products at 50% to 70% in 2020.

The event ended with a Q&A session. Piotr Galitzine counted as many as seven consecutive questions asked by just one analyst, which became a record of sorts.

CUTTING-EDGE BRAND

Cartier, Maserati, Tiffany, Fabergé. These brands bring to mind only the best things – the latest technologies, impeccable design, superior quality, and unmatched aesthetics. Similar brands exist in every field of human endeavor. Premium threaded connections sold under the TMK UP brand are a hi-tech product recognized in the tubular goods market.

Just a few decades ago there was no need to use any special connections with advanced properties. Traditional technologies and conventional equipment got the job done in the petroleum industry. Things started to change as hydrocarbon reserves continued to shrink and the time came to develop hard-to-recover resources. The share of simple fields is constantly declining in total output. On average, one in three fields in the world contains hard-to-recover reserves, which calls for new approaches to production and the use of more sophisticated technologies, including directional and horizontal drilling. Modern production techniques require an altogether different level of equipment reliability and performance. Hence the constantly rising demand for premium threaded connections, which can withstand extreme loads and successfully resist pressure, compression, high torque, and corrosion. Such products are truly innovative solutions with a great deal of intellectual added value. TMK is the undisputed leader in this segment of the Russian market, and the company's premium products become more popular with customers with each passing year.

DO YOU REMEMBER HOW IT ALL BEGAN?

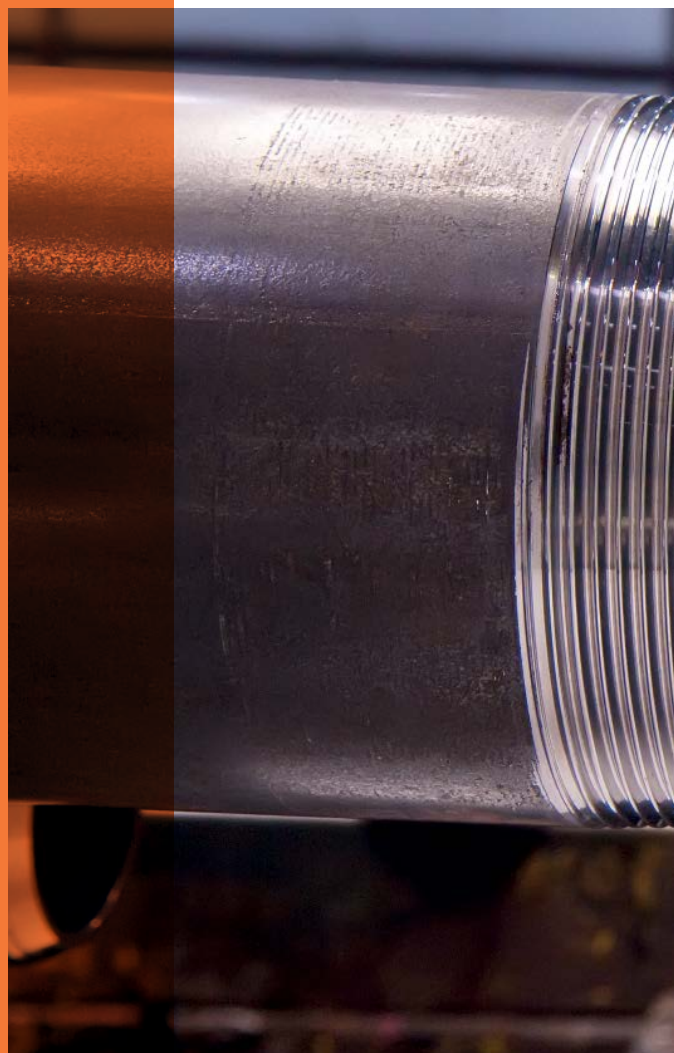
Even prior to joining TAGMET, the Sinarsky and Seversky pipe plants had been developing threaded connections. TAGMET had been producing experimental batches of threaded connections designed by the All-Union Drilling Equipment Research Institute since 1958. In the late 1990s, the plant created its first proprietary streamlined threaded connection for casing pipe named STT (eventually renamed TMK-1) for use in well interventions and casing liner repairs. Another solution by Taganrog-based engineers—the VARM connection (currently known as TMK UP FMC) for directional oil and gas wells—is successfully used in oil and gas fields to this day.

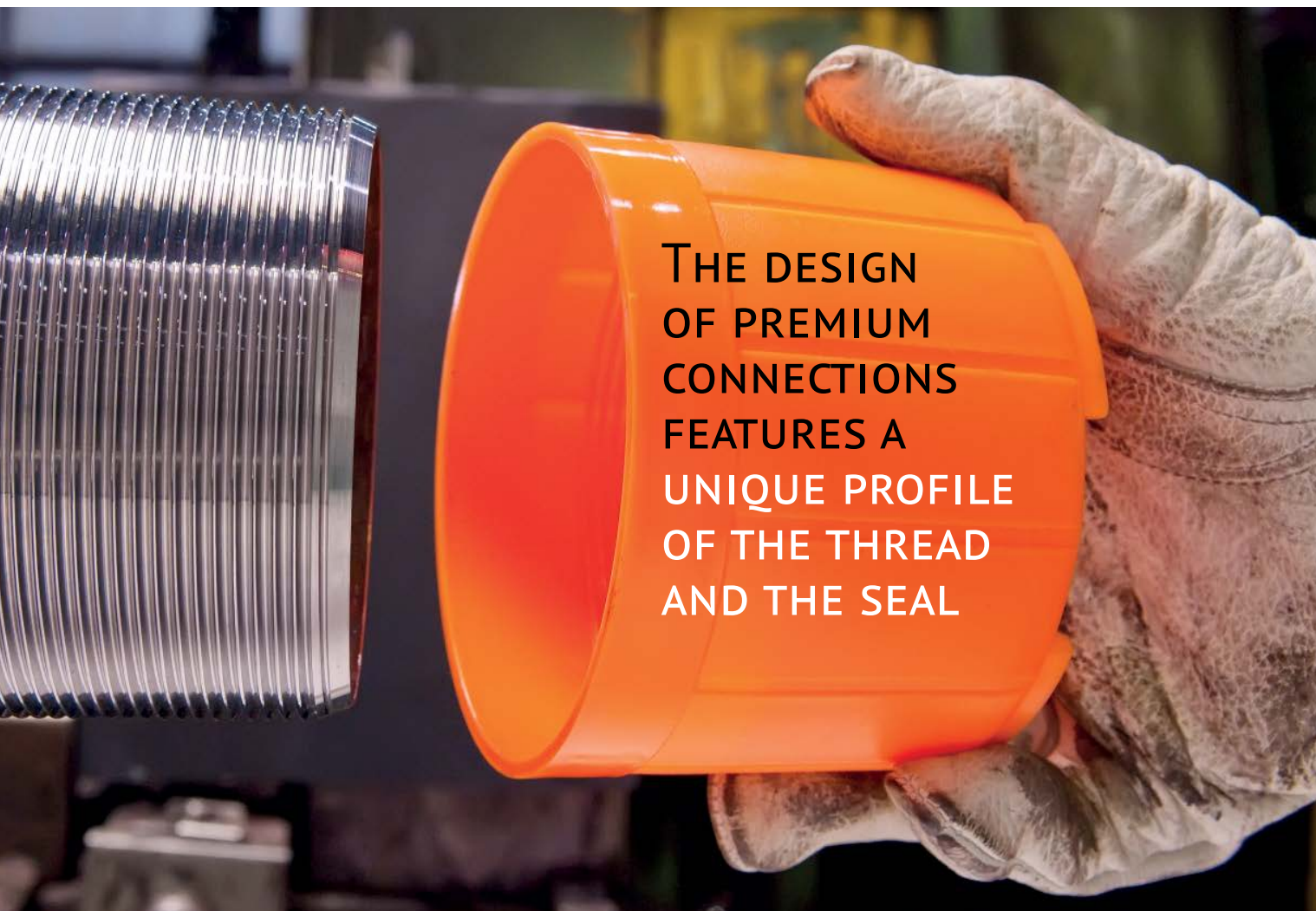
In 2003, TAGMET—already part of TMK—formed a dedicated department tasked with development and production setup of new threaded connections. The team started developing premium threads and setting up the process to produce them.

The premium offering of TMK was unique for the Russian market. Pipe with premium connections had never been manufactured in Russia and had

to be imported from abroad. The TMK GF connection (currently TMK UP GF) developed on a commission from Gazprom especially for directional and horizontal wells was a real breakthrough. Pipe with premium threads were successfully tested at gas fields of the Extreme North and were recommended for use in construction of wells in gas and gas-condensate fields. In the space of several years, the company has designed premium threaded connections for TMK GF, TMK PF, TMK PF ET, TMK CVS, TMK CWB casing pipe, TMK FMT tubing, and TMK TDS weld-on drill pipe tool joints. They performed well during field tests at Surgutneftegaz, Gazprom, and Novatek fields.

The premium segment of TMK entered a new growth phase in 2007 after being singled out into a separate business stream. The new specialized company, TMK-Premium Service LLC, focused on





THE DESIGN OF PREMIUM CONNECTIONS FEATURES A UNIQUE PROFILE OF THE THREAD AND THE SEAL

development and production setup of premium threaded connections and promotion of these products on the market.

With the American assets of IPSCO joining TMK in 2008, the company was able to tap new opportunities in the premium segment. IPSCO plants owned a whole range of thread products marketed under the ULTRA brand. They blended seamlessly with the Russian premium lineup. The combination of different practices and experience with using premium products in Russian and American oil and gas production also delivered a synergistic effect. Premium departments of the company in Russia and the USA started working as part of the joint R&D plan. The combination of the intellectual potential logically culminated in the appearance of a common brand for the entire lineup of premium connections – TMK UP.

HI-TECH PIPE

What is so special about premium connections and why is demand for them growing with each passing year? The secret lies in their exceptional properties that regular threads lack, such as resistance to various loadings. This translates into reliable operation and, ultimately, cost effectiveness.

The design of premium connections features a unique profile of the thread and the seal that ensures the desired properties. "An ideal thread should be fully consistent with the pipe body in terms of strength and all other parameters as if it were a single pipe without the joint," says TMK

»» HISTORY OF ULTRA

The history of American premium connections made by TMK IPSCO is inextricably linked with a gentleman named Curley Gillam. In the early 1960s, he set up his machine shop in the building of a former ice-skating rink in the American town of Odessa. He produced various tools and accessories for customers in the oil-rich Permian Basin, Texas. He became well known within the Texas oil and gas community for his responsible approach and high-quality products. In 2004, Curley's Machine Shop acquired patents for threads now produced under the ULTRA brand. Investing in machines and promoting new products, Curley's grew its reputation and market share within the Texas market and began to spread its customer base into the Oklahoma and New Mexico markets. The company was sold to NS Group Inc in 2006 and later joined the American Division of TMK.



THE ADVANTAGES OF PREMIUM THREADED CONNECTIONS MAKE THEM INDISPENSABLE IN CHALLENGING PRODUCTION CONDITIONS

« TMK UP QX
TORQ withstands
extreme torque
during string
rotation

operators that premium products ensure effective well operation and ultimately turn out more cost effective. Strings with premium connections are reliable and guaranteed to serve a long time, and their use also minimizes environmental risks.

The number of buyers of TMK premium pipe is rising with each passing year. These products enjoy demand and have applications all over the world. To expand the market presence of premium connections, TMK Premium Service is actively developing the network of licensees – producers of oil and gas production equipment licensed to use TMK premium technologies. The company currently has over 50 licensees in Russia and internationally throughout the USA, Canada, Middle East, Africa, Southeast Asia, Latin America and Central Asia. TMK UP PF threaded connections of the Pro Series enjoy

high demand in Russia. It is a box-and-pin connection for casing and tubing designed for casing directional and horizontal wells in oil, gas, and gas-condensate fields. It ensures a high degree of tightness under challenging operating conditions.

New threaded connections are developed by two R&D centers – Taganrog (R&D center of TMK-Premium Service) and Houston.

One of the latest TMK products is the TMK UP CENTUM box-and-pin connection for casing pipe designed for casing ultra-deep ERD directional wells with long horizontal sections. Another of the latest products developed by TMK experts – the TMK UP QX TORQ thread – is currently in the final phases of fine-tuning and testing. Development and testing of a premium connection is a lengthy and capital-intensive process that can sometimes last for years. This makes every TMK thread released on the market a custom-made product.

Premium Service CEO Sergey Rekin. Premium connections can withstand high internal and external pressure, tensile and compressive stress, and excessive torque. The qualities of premium threads enable field professionals to perform the requisite casing pipe operations while constructing wells with large inclinations. Premium threads are also resistant to high temperature and pressure, gaseous and hydraulic loadings. The advantages of premium threaded connections make them indispensable in challenging production conditions such as offshore projects, great depths, permafrost, and specific formations.

It is equally important for customers and oil and gas field

»» TMK UP FAMILY

The family of TMK UP premium threaded connections for casing and tubing includes coupled and integral designs. The line consists of five series with different design parameters:

TORQ SERIES: TMK UP TORQ

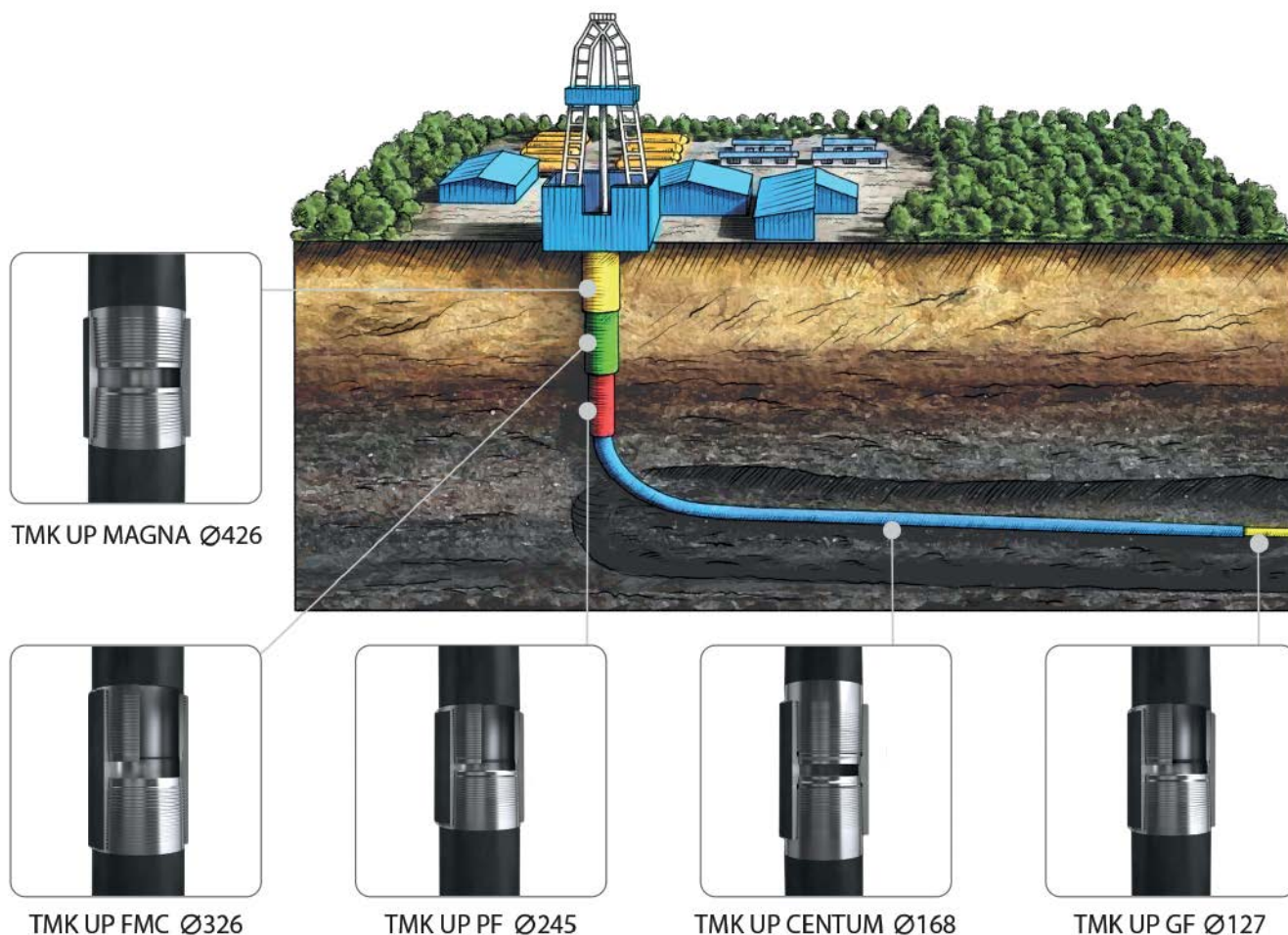
PRO SERIES: TMK UP PF, TMK UP PF ET, TMK UP FJ, TMK UP QX, TMK UP SF, TMK UP SFII, TMK UP CENTUM

CLASSIC SERIES: TMK UP FMC, TMK UP GF, TMK UP FMT

LITE SERIES: TMK UP CWB, TMK UP MAGNA, TMK UP BPN, TMK UP DQX, TMK UP DQXHT

“In new product development we proceed from the actual demand driven by specific projects and wells for which our product is intended,” says TMK-Premium Service CEO Sergey Rekin. “And yet we have a strategic goal to stay one step ahead of current market needs by creating and offering innovative solutions to our customers long before they formulate their current needs.”

Forward-looking plans of TMK-Premium Service involve continued development of new thread designs to keep up with the



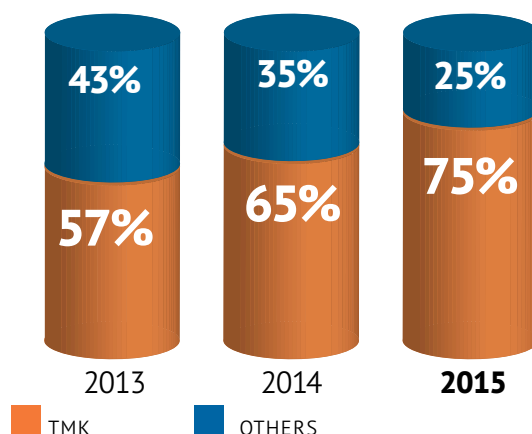
growing complexity of oil and gas production conditions as well as certification of connections by the largest buyers.

“The premium connection business is a highly competitive segment. Here we always need to remain one step ahead, surprise the market with innovations and services,

and always remain customer-oriented. We have accumulated vast experience developing threaded connections that fully meet customer expectations and are fine-tuned to their needs. We have managed to expand our customer base and begin deliveries of premium products as part of import substitution programs

adopted by the largest Russian oil and gas companies. We are always prepared to offer customers unique technological capabilities and highly effective tubular solutions,” says Sergey Rekin.

TMK SHARE OF THE PREMIUM MARKET



ANNIVERSARY IN WORDS AND PICTURES

TMK executives present the winning drawings of the “TMK Turns 15!” drawing contest for company employees and their children. They also discuss the anniversary, their place in the company, and its future.



« Drawing by
Lera Kozlova
(8 years old.)
from Polevskoy

ALEXANDER SHIRYAEV
President and CEO, TMK



VLADIMIR OBORSKY

Executive Director and Senior Vice President, TMK

“Here’s a management secret for you: you simply need to choose the only right solution in every specific situation. Seriously though, the manager must hear his or her team and not just listen. I do my best to create such a work environment in which employees are able to voice their opinions and have a say in the management process. Yet once a decision has been made, it has to be complied with on time. It’s a strict position of mine. To quote Omar Khayyam, ‘life is a chain, and all of life’s trifles are its links, and we must not ignore a link in a chain.’ After all, it’s up to the manager to solve a problem with the least amount of loss, while refraining from decisions that would later require corrective action.”

🔥 Drawing by
Ksenia Lapshina
(10 years old)
from Taganrog



ALEXANDER LYALKOV

Senior Vice President for Manufacturing, TMK

“I have always believed that work should make you happy, and that what you do and how you do it should be a source of pleasure and satisfaction. My career with VTZ began in August of 1980. For me TMK is the continuation of the same plant that first hired me. My path, all these years are my life, work, and learning process. To be honest, I can hardly imagine myself without TMK today. It is everything to me.”

🔥 Drawing by
Ekaterina Prikhodko
(12 years old) from
Taganrog



VLADIMIR SHMATOVICH

Vice President for Strategy and Business Development, TMK

"I believe that teamwork is the only way to succeed in modern business. It's often insufficient and inefficient to rely exclusively on administrative levers, the "superior – subordinate", "assignment – report" dichotomies, at a time when a creative approach is in order.

"Over the years with the company, we have had many notable and memorable moments, but my personal favorite is the IPO of TMK. We went public in 2006 with a stock listing in London and Moscow."

» Drawing by Yumma Sulaiman Al Farsi (11 years old) from Sohar (Sultanate of Oman)



ANDREY KAPLUNOV

Senior Vice President, TMK

"I joined TMK from outside the manufacturing industry. Perhaps this is the reason why my first visit to the plant in spring of 2002 is my most vivid memory. This was the spring of 2002. It was the first time I saw the glorified beauty of molten metal, heard the din of running machinery, and saw people who did their job with confidence. I am also impressed by the changes at TMK plants. Literally in front of our eyes, they have turned into the most modern facilities not just in our industry or country but all over the world."

» Drawing by Evgeny Domarad (29 years old) from Kamensk-Uralskiy



ANDREY ZIMIN

Vice President for Legal Issues,
TMK

“There have been many notable events in TMK’s history: the IPO, the first entry into the international bond market and the acquisition of American, European and Middle Eastern assets. Fifteen years mark the transition from a start-up to a mature company, with new goals and challenges. I think that the most important thing that has been achieved is the building of a team united by a common corporate culture and capable of solving any problems. I firmly believe that TMK’s most notable moments still lie ahead.”

Drawing by
Anton Farafonov
(25 years old)
from Kamensk-
Uralsky

TMK’S MOST NOTABLE MOMENTS STILL LIE AHEAD



ALEXANDER KLACHKOV

Vice President and Chief Engineer, TMK

“For me the most memorable and impressive event in recent years was the launch of the continuous caster at TAGMET in 2006. It was the first major project to have been completed as part of our investment program. The first casting was performed during the festive launch of the caster. It was a very exciting and quite risky thing to do.”

Drawing
by Lubov
Kabalina (28
years old) from
Ekaterinburg

I HAVE ALWAYS BELIEVED
THAT ONE MUST STAY
TRUE TO THE PATH ONE
HAS EMBARKED UPON



TIGRAN PETROSYAN

Vice President and Chief Financial Officer,
TMK

"I have been with TMK since day one. I have grown up with the company. I have always believed that one has to remain true to one's choice no matter what. No matter what happens and how things turn out, you have to stay true to the chosen path and uphold your values and principles. I have always believed that one must stay true to the path one has embarked upon."

🔥 Drawing by Maria
Evdokimova (13 years
old) from Kamensk-
Uralskiy



ADRIAN POPESCU

CEO of the TMK European Division

"For me TMK is one big happy family. Just like any other family, we have our ups and downs, as well as stressful moments that give way to joyful and jubilant events. I have been working for ARTROM my entire life, and the day when our plant became part of a large tubular business is one of my biggest personal milestones."

"Despite all our differences, our multi-cultural and multinational staff speak the same language of the tubular business that will help us continue developing our mutual undertaking."

🔥 Drawing by
Para Dorian (12
years old), Slatina
(Romania)



PIOTR GALITZINE

Chairman of the Board of Directors and CEO,
TMK IPSCO

“The main secret to TMK success, as acknowledged by all bankers and analysts, is its thorough preparation for any issues or solutions, be that deployment of new equipment, expansion to a new region, or implementation of joint projects. This is the key to success of all TMK endeavors. One example is the installation of the PQF mill – one of the most crucial and sophisticated TMK investment projects, or expansion to the American and Middle Eastern markets.”

Original drawing
by Piotr Galitzine

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