The Company ships 1/8 of the world’s seamless OCTG production. The Company operates 24 production sites in Russia, the United States, Romania, and Kazakhstan. TMK has the world’s largest steel pipe production capacity, about half of which is dedicated to the production of high margin oil country tubular goods (OCTG).

In 2010, the Company maintained its position in the production of seamless OCTG, occupying 12% of the global market and 60% of Russian market for high-tech products. TMK is focused on meeting the demands of the global oil and gas industry, which makes up approximately 70% of the Company’s customer base.

The commissioning of a modern complex to produce longitudinally welded large diameter pipes has enabled the Company to secure a role in large national oil and gas pipeline projects in Russia and the CIS.

TMK is constantly increasing both the volume of premium tubular products sold and their share in the Company’s product mix.

TMK’s products meet international standards API, ASTM, EN/ENI, DNV for underwater pipelines, as well as Russian State Standards and Specifications. At all of the Company’s plants the quality system is certified according to ISO 9001 and API Spec Q1 standards.

TMK’s clients include leading oil and gas companies, such as Shell, AGIP, Total, ExxonMobil, Occidental Petroleum, CNOOC, Saudi Aramco, Anadarko, Marathon, TNK-BP, Surgutneftegaz, Gazprom, Transneft, Lukoil, Rosneft and other global oil and gas companies.

TMK supplies products along with a wide range of services like heat treatment, protective coating and premium connections threading, as well as storage and repair of pipes.

A major presence in the global market gives the Company an extensive sales network that covers virtually all of the major global oil and gas production centers: the United States, Canada, Russia and the CIS, Europe, the Middle East, North and Sub-Saharan Africa and South-East Asia. TMK supplies products to more than 65 countries worldwide.

The Company’s shares are traded on the London Stock Exchange, the OTCQX International Premier trading platform in the United States, as well as on Russia’s MICEX and RTS trading floors.

TMK is Russia’s largest producer of steel pipes and one of the three leaders in the global pipe business. For the second year in a row it has ranked first in the world by volume of pipes shipped.

1. About the Company
The Company has significantly strengthened its premium segment by offering consumers high-level, innovative products: premium connections; high-tech pipes for drilling, production and transport of hydrocarbons; and components of oil and gas columns that are individually designed for each field by taking into account its specific characteristics. The integrated use of innovative TMK products can reduce drilling costs by up to 20% and well operation costs by up to 17%. It can extend the life of well equipment twofold and reduce the total metal content used in well equipment by one third. TMK has made it a priority to become one of the leading manufacturers in the segment of premium tubular products. I am confident that our focus on the latest developments and technologies, high-tech manufacturing and, in many respects, unique tubular products and solutions, will enable us to achieve this goal.

TMK continues to employ the most advanced standards of corporate governance, adhering to principles of information disclosure and financial transparency.

I would like to mention TMK’s Board of Directors and its committees, and their constructive engagement with the Company’s management throughout 2010. Their effective collaboration has allowed us to successfully implement many solutions that are important to TMK both in its current work and in creating new benchmarks for the Company’s long-term strategy. In 2011, the Company is celebrating its 10th anniversary, and the trust placed in us by our investors, customers and partners all these years has played an important role in our achievements. In summing up another year at TMK, I thank you on behalf of the Company for our productive collaboration and look forward to further fruitful cooperation in the future.

Today, TMK is faced with the global challenges of becoming a recognized world leader and achieving strong financial performance. I am certain that a clear vision about how the global pipe business will develop, an understanding and development of our competitive advantages, as well as the professionalism and cohesion of the Group’s companies will all help us to successfully meet these challenges to grow even more shareholder value at TMK.
In 2010, TMK ranked first among the world’s largest pipe manufacturers in terms of shipment volumes. The Company’s share in the Russian market for steel pipes in 2010 was 27%. TMK also leads every high-margin segment of the Russian pipe market.

**Strategic Investment Program**

TMK’s Strategic Investment Program, which has been implemented since 2004, is a key element when it comes to achieving the Company’s goals.

From 2004 to 2008, the modernization of continuous casting machines at the Volzhsky Pipe Plant was completed. New continuous casting machines were also installed at Severky Tube Works, TAGMET and TMK-Resita. TMK-Resita also saw the upgrading of the electric arc furnace and the reconstruction of the gas cleaning system. A CPE pipe-rolling mill was also commissioned at TMK-Artrom. A piercing mill was commissioned at Severky Tube Works, and a blooming mill at Sinarsky Pipe Plant. Hydraulic testing presses for OCTG were installed at Sinarsky Pipe Plant and TAGMET. At Sinarsky Pipe Plant a block of waste treatment facilities was installed. At TAGMET a new heat treatment section was installed. At Volzhsky Pipe Plant, lines to apply external anti-corrosion and internal surface coatings were installed.

In 2008, TMK implemented several major investment projects. At TAGMET, a complex to produce seamless OCTG with a continuous PQF mill was launched. At Volzhsky Pipe Plant, a block of waste treatment facilities was installed. At TAGMET a new heat treatment section was installed. At Volzhsky Pipe Plant, a modern steelmaking complex was installed.

Currently, TMK has fulfilled a large part of the Strategic Investment Program, having invested approximately $2.1 billion, which has allowed for a substantial increase in the efficiency of production processes and capacities for production of seamless pipes. It has also improved the quality of steel and pipe manufacturing and has reduced the production cost of billets and tubular goods.

In 2009 to 2010, the Company engaged in further modernization of existing production facilities. In 2009, TMK’s Russian plants – Volzhsky Pipe Plant, Sinarsky Pipe Plant and TAGMET – saw further development of the heat treatment lines with a total capacity of 740 tonnes. As part of the development of the steelmaking complex at Severky Tube Works, heavy-duty shearing presses were commissioned, and a vacuum degassing system was installed.

A block of waste treatment facilities to clean chemically polluted industrial sewage was installed at Sinarsky Pipe Plant. At the U.S. plants in Baytown and Blytheville, new heat treatment facilities with a capacity of up to 100 tonnes each were commissioned.

In 2010, the modernization of the steelmaking and pipe-rolling complex at Volzhsky Pipe Plant’s Shop #3 was completed when it switched to rolling pipes from round billets, which doubled the capacity for seamless pipe production to 630,000 tonnes per year, as well as significantly improved the surface quality and geometric precision of the pipes. As part of the production of cold-deformed pipes at Sinarsky Pipe Plant, an Ebner continuous gas furnace with protective atmosphere was introduced, and production of precision stainless steel tubes was launched. At TAGMET, a modern vacuum degassing system was commissioned in the United States, TMK IPSCO commissioned two UHFA thread lines in Brookfield, Ohio but an overall total capacity of more than 140,000 tonnes per year.

In the final phase of its investment program, TMK plans to implement two major projects - the construction of an electric arc furnace at TAGMET and the commissioning of a modern, high-tech production line with a continuous FQM seamless pipe mill at Severky Tube Works.

In 2011, TMK demonstrated record shipment volumes. The Company’s share in the Russian market for steel pipes in 2011 was 27%. TMK also leads every high-margin segment of the Russian pipe market.
The Company operates 24 production sites in Russia, the United States, Romania, and Kazakhstan
5. Production Facilities

RUSSIA AND THE CIS

**VOLZHSKY PIPE PLANT**
Volzhsky, Volgograd Region, Russia
The Volzhsky Pipe Plant manufactures seamless pipes for the oil and gas, chemical, petrochemical, automotive, machine-building and thermal energy sectors. It also manufactures spirally and longitudinally welded large diameter pipes for the construction and operation of oil and gas pipelines.

**SEVERSKY TUBE WORKS**
Polevskoy, Sverdlov Region, Russia
The main products of Seversky Tube Works are hot-rolled and welded steel pipes, both round and shaped. Pipes from Seversky Tube Works are widely used in the oil and gas industry and in the construction of various types of pipelines, as well as in the engineering, construction and utilities sectors.

**SINARSKY PIPE PLANT**
Kamensk-Uralsky, Sverdlov Region, Russia
Sinarsky Pipe Plant produces a wide range of OCTG – drill pipes, casing, tubing, as well as oil and gas line pipes, stainless industrial pipes.

Products manufactured at the plant are used by oil and gas and machine-building companies, as well as by energy, construction and utilities companies.

**TMK-CPW**
Polevskoy, Sverdlov Region, Russia
TMK-CPW manufactures longitudinally welded OCTG and industrial pipes. Products are used for the production and transport of oil and gas, as well as in the construction industry.

**TAGANROG METALLURGICAL WORKS**
Taganrog, Rostov Region, Russia
TAGMET manufactures almost all types of steel pipes, including high-strength pipes with special properties, corrosion resistant pipes, pipes with gas-tight premium connections, drill pipes with flash weld tool joints, tubing, casing, couplings and shaped tubes. Products are used by oil and gas, machine building, construction and utilities companies.

**TMK-KAZTRUBPROM**
Uralsk, Western Kazakhstan Region, Kazakhstan
TMK-Kaztrubprom produces tubing and casing for use in the oil and gas industry.
TMK IPSCO produces a wide range of carbon steel and welded and seamless pipes, primarily for the oil and gas industry – tubing, casing, line pipe, and pipes with ULTRA Premium Connections and tooling.

TMK IPSCO also produces welded pipes for industrial use and steel billets for the production of seamless pipes. The Company’s products are widely known in the North American pipe market.

TMK IPSCO is implementing an investment program to increase its threading capacities for ULTRA Premium Connections.

TMK IPSCO has the following production facilities in the United States:
- Ambridge (Pennsylvania) – production of seamless pipes
- Baytown (Texas) – heat treatment, threading
- Blytheville (Arkansas) – production of welded pipes, heat treatment, threading
- Camanche (Iowa) – production of welded pipes, threading
- Geneva (Nebraska) – production of welded pipes
- Koppel – TMK Premium (Pennsylvania) – Premium Connections
- Odessa – TMK Premium (Texas) – Premium Connections
- Tulsa (Oklahoma) – heat treatment, threading
- Wilder (Kentucky) – production of welded pipes
- Brookfield – TMK Premium (Ohio) – Premium Connections

TMK-ARTROM (Slatina, Romania). TMK-Artrom is Romania’s leading pipe producer. The plant produces seamless pipes for industrial use, including mechanical pipes and pipes for use in the automotive industry. The majority of products manufactured are exported, especially to the European Union, the United States and Canada.

TMK-RESITA (Resita, Romania). TMK-Resita produces steel billets, as well as heavy rounds and square billets. A large part of the steel products manufactured are delivered to TMK-Artrom.
TMK manufactures and supplies a wide range of pipe products, more than two thirds of which are used in the oil and gas industry – OCTG, line pipe and large diameter pipes.

6. Products

**OIL COUNTRY TUBULAR GOODS (OCTG)**

Threaded OCTG includes drill pipes, casing and tubing that are used in drilling, equipping and operating oil and gas wells. TMK produces both seamless and welded OCTG. The Company is Russia’s leading supplier of seamless pipes for the oil and gas industry and occupies a stable position in international markets.

In 2010, TMK’s share of the market for seamless OCTG was 60% in Russia and 12% globally. TMK’s share of the OCTG market in the United States has increased to 14%.

**LINE PIPES**

Oil and gas line pipes for intrafiel pipelines are used to transport crude oil and natural gas from the field to oil refineries and storage facilities, as well as to shipment points and distribution nodes.

Due to the expansion of the Company’s technological capabilities, TMK’s share of oil and gas line pipe shipments in the Russian market increased to 49% in 2010.

**LARGE DIAMETER PIPES**

Large diameter pipes are used primarily for building oil and gas mainlines to transport oil and gas over long distances. TMK produces longitudinally welded and spirally welded large diameter pipes ranging from 457mm to 2,520mm in diameter with a wall thickness up to 42mm and grade up to X100, including those which are rated to 11.8 megapascals. Anti-friction coating is applied to the inside of the pipes, and an anti-corrosion coating is applied to the outside.

Russia and the CIS are the Company’s primary markets for large diameter pipe sales. TMK’s share of the Russian market for large diameter pipes in 2010 was 20%.

**INDUSTRIAL PIPES**

Along with pipes for the oil and gas industry, TMK manufactures a wide range of pipes for industrial use, including high-tech stainless steel pipes, whose production and sale are carried out by a specialized company called TMK-INOX. Industrial pipes are used in many sectors: engineering, energy (including nuclear), construction, utilities, agriculture, and others.
ULTRA™ Family

**TMK IPSCO**, the Company’s North American division, has a patented line of premium connections called ULTRA, which are unique in their ability to maintain gas tightness and are highly resistant to excess torque even in extreme conditions of bending of strata and high gas pressure deep in the shale. Today, ULTRA Premium Connections are widely used by the majority of companies developing unconventional horizontal gas deposits at such fields as the Barnett Shale, the Haynesville Shale, the Marcellus Shale and others.

**Intense development** of shale gas production in the United States contributes to the growing demand for high-tech ULTRA connections, as unconventional methods of producing shale gas require a greater number of premium connections. In 2010, TMK’s ULTRA line achieved a 30% share of the market for premium connections used at onshore shale gas fields in the United States. This performance has served as a precondition for further investment in the expansion of ULTRA’s premium threading capacity. In particular, two production lines were opened in the town of Brookfield, Ohio, which is conveniently located on one of the largest deposits of shale gas in the United States. These sites give the American division of TMK more than 140,000 tonnes of premium threading capacity per year.

**Customer demand** remains high for premium connections used in both onshore and offshore drilling. The active development of directional and horizontal drilling has also meant increasing potential for TMK’s premium connections.

**The integration** of the assets of TMK’s American division has expanded its line of high-tech OCTG products and premium connections, giving the Company significant synergy. Today pipes with ULTRA Premium Connections are supplied to Russian oil and gas companies, and TMK’s American plants have sufficient capacity to process Romanian and Russian-manufactured pipes, which are then delivered as finished products to the North American market.

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**7. TMK Premium Connections**

**TMK family**

TMK is actively working on innovation and production of premium connections for the operation of wells in challenging geological environments. These environments include those located in offshore and deep-sea regions, as well as in the Far North, the shale gas plays and the bituminous sands.

At TMK’s Russian facilities, the Company’s specialists have created a unique, patented family of premium connections: TMK FMC, TMK PF, TMK PF ET, TMK GF and TMK FMT. TMK Premium Service specializes in the development and promotion of premium connections.

In 2010, the Company continued to strengthen its position on the market for premium connections in Russia, the CIS and globally. Shipments of premium connections developed by TMK’s Russian and American divisions have risen more than 27% in comparison with 2009. In Russia, the company increased its market share for premium connections up to 70%.

**Shipment volumes increased** to key customers like Surgutneftegaz, Lukoil (oil fields in Western Siberia, offshore fields in the Caspian Sea, Novatek (Yunikovskye oil and gas field), TNK-BP (oil fields in the Orenburg Region), Artcosag (oil fields in Western Siberia), Rosneft (Vankor field), Gazprom (Astrahan and Bovanenkovo fields), Gazprom Neft (Urmanskoyefield) and others. These projects are replacing imported products with TMK’s premium connections.

As part of the effort to promote premium products on the market, specialists at TMK-Premium Service apply the principle of “one window” and accompany the first run of pipes with premium connections into the well. They also take part in bench and field tests of connections. Since 2011, the Company has offered the service of running the pipe string into the well, TMK-Premium Service has developed and approved a program called “The Sea,” which is preparing the Company to begin wide-scale development of offshore fields.

As part of the expansion of its product development efforts, the Orsk Machine-Building Plant is implementing a project to manufacture high-tech casing with premium connections.

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**Tension (Compression)**

1. **P ext.** External pressure
2. **P int.** Internal pressure

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**The main forces applied to connections in a string**

- F
- P ext.
- P int.
8. Oilfield Services

TMK works according to a “one window” principle, offering consumers tubular products together with a set of related services.

In this business area includes the companies TMK-Premium Service and TMK Oilfield Services.

**TMK-Premium Service** (Moscow, Russia) manages the following:

- TMK-Kaztrubprom (Ural, Western Kazakhstan Region, Republic of Kazakhstan). TMK-Kaztrubprom produces tubing and casing and has the right to apply API monograms.

**TMK Oilfield Services** (Ekaterinburg, Russia) includes the following assets:

- Truboplast (Ekaterinburg, Sverdlov Region, Russia). Truboplast produces insulating coating for steel pipes used in the oil and gas industry.
- TMK Pipe Maintenance Department (Nizhnevartovsk Area, Khanty-Mansiysk Autonomous District, Tyumen Region, Russia). TMK Pipe Maintenance Department specializes in applying anti-corrosion coatings to steel pipes and repair of tubing, drill pipes and sucker rods. It also manufactures elements for tube columns and provides logistical support services.
- Orsky Machine-Building Plant (Orsk, Orenburg Region, Russia). Orsky Machine-Building Plant produces flash weld tool joints for drill pipes and has the rights to apply API monograms. It also produces accessories for oil production equipment.
- TMK Central Pipe Yard (Buzuluk, Orenburg Region, Russia). TMK Central Pipe Yard offers repair services for tubing, drill pipe and sucker rods, as well as provides logistical support services.

**TMK Oilfield Services** (Ekaterinburg, Russia) includes the following assets:

- TMK-Premium Service (Moscow, Russia) manages:
  - TMK-Kaztrubprom (Ural, Western Kazakhstan Region, Republic of Kazakhstan). TMK-Kaztrubprom produces tubing and casing and has the right to apply API monograms.
- TMK Oilfield Services (Ekaterinburg, Russia) includes:
  - Truboplast (Ekaterinburg, Sverdlov Region, Russia). Truboplast produces insulating coating for steel pipes used in the oil and gas industry.
  - TMK Pipe Maintenance Department (Nizhnevartovsk Area, Khanty-Mansiysk Autonomous District, Tyumen Region, Russia). TMK Pipe Maintenance Department specializes in applying anti-corrosion coatings to steel pipes and repair of tubing, drill pipes and sucker rods. It also manufactures elements for tube columns and provides logistical support services.
  - Orsky Machine-Building Plant (Orsk, Orenburg Region, Russia). Orsky Machine-Building Plant produces flash weld tool joints for drill pipes and has the rights to apply API monograms. It also produces accessories for oil production equipment.
  - TMK Central Pipe Yard (Buzuluk, Orenburg Region, Russia). TMK Central Pipe Yard offers repair services for tubing, drill pipe and sucker rods, as well as provides logistical support services.

TMK’s oil and gas services include production and sales of pipes with gas tight, premium connections, flash weld tool joints for drill pipes, couplings for tubing, heat treatment and application of protective coatings, as well as facilitating the integration, assembly and lowering of pipe strings into wells, storage and pipe repair.


Innovations at TMK are primarily aimed at introducing new technologies in order to manufacture modern, high quality products.

Scientific research, development and implementation of innovative projects are carried out at the company under the auspices of RosNII, an industry-specific institute that is part of TMK. Innovation also takes place in collaboration with oil and gas industry partners and customers.

In 2010, TMK pursued innovations in such areas as energy efficiency, nanotechnology, environmental and scientific research. In particular, a project to produce stainless steel and alloy-based precision pipes using nanotechnology is being carried out at the Sinarly Pipe Plant with RUSNANO. TMK facilities have mastered the production of high-tech, sour service line pipe, tubing and casing, as well as the production of pipes made from super chrome steels. Since 2010, a new type of product has been supplied to Gazprom’s Bovanenkovo field as part of a program to substitute imports with Russian-manufactured pipes. The production is cold-resistant tubing with TMK FMT Premium Connections. To build on work already completed with respect to offshore drilling, the company carried out a number of successful projects in 2010, such as the lowering of pipes with TMK FMT Premium Connections at Lukoil’s Korchagin field in the Caspian Sea. Pipes with TMK PF Premium Connections were also lowered at offshore wells on Zarubezhneft’s platform in Vietnam.

TMK has mastered production of insulated elevator pipes with a unique multi-layer insulation system that can withstand permafrost conditions. The company also plans to establish a plant to apply environmentally friendly plasma cleaning in tube processing.

TMK’s participation in the Industrial Liaison Program (ILP) at the Massachusetts Institute of Technology (MIT) marks a new stage in the development of ties leading to joint research on key topics and trends in the company’s business. Construction has also begun on a research center where the latest products for further industrial application will be developed and tested.