YourTube

Technology Motion Knowledge

08•2012
№2 (09)

R&D PROPELS TMK AS A GLOBAL COMPANY

YourTube is targeted to three audience groups representing various countries and continents and is published in Russian, Romanian and English. Multimedia versions are now available in Russian and English

YourTube is now available for iPad

Read articles and enjoy a wide range
of multimedia extras: comprehensive stories in pictures,
updated videos, interactive analytics and infographics.
Follow TMK news in motion!

TABLE OF CONTENTS

YourTube Technology Motion Knowledge
2 (09) AUGUST 2012

Incorporator:

Project manager:
Svetlana Bazylchik
BazylchikSI@TMK-group.com

Editor's office address:
Russia, 105062, Moscow, 40 Pokrovka Street, Bldg. 2a
Tel.: +7 (495) 775 7600
Fax: +7 (495) 775 7601

E-mail: pr@TMK-group.com
www.TMK-group.com

Certificate of a publication No. FS77-40128 of June 11, 2010
The edition is registered with the Federal Service for Supervision in the Sphere of Communications, Information Technology and Mass Communications.
Any use of the materials without the editors' consent is prohibited
Printed in the Print.Market LLC printing office.
Print run is 4,000 copies.

ЛЮДИpeople

Publication printer: ЛЮДИPEOPLE Group
129085, Moscow, 21 Zvezdny Boulevard, bldg. 1, office 18
Tel.: +7 (495) 988 1806
E-mail: ask@vashagazeta.com

Editor-in-Chief: Yelena Kostyuk Art director: Maksim Guelik
Designer: Aleksandra Marochkova Correspondents: Ivonne Furneaux (USA), Andrei Butnaru (Romania), Anna Vasilieva (Russia), Mikhail Cherkasov (Russia), Adam Fuss (USA) Production Director: Oleg Merochkin Photo: Russian Look/Picvario Color correction: Alexander Kiselev, Sergey Souslov

A NEW WAY OF DRILLING

TMK has made the first shipment of new drill pipe with the TMK TDS tool joint to Surgutneftegaz. The joint was developed by TMK-Premium Service and was produced at the Orsk Machine-Building Plant.

The new drill pipe has increased tool joint length and two sturdy nodes—male and female—which ensure the tool joint's torque. As a result, the operational characteristics of the pipe are improved, which increases its service life. New pipe with the TMK TDS tool joint is intended for use in drill strings. ■

MEETING EUROPEAN STANDARDS

During a recent audit, the Volzhsky Pipe Plant confirmed the validity of certificates previously issued by Germany's TUV NORD. The audit confirmed that the facility's quality management system and production of hot-rolled and welded pipe conform to the safety requirements of European Directive EC 97/23 "Pressure Equipment." Volzhsky received an extension of the right to manufacture pipe according to the following European standards: DIN EN 10216-1, DIN EN 10216-2, DIN EN 10216-5, DIN EN 10208-2, DIN EN 10297-1, DIN EN 10297-2, DIN EN 10210-1, and DIN EN 10219-1. This gives the company the right to use the CE marking, which is a necessary condition for exporting this product to the European Union. ■

R&D COOPERATION PROGRAM SIGNED BY TMK AND GAZPROM

On July 5, 2012, the 2012–2015 R&D cooperation program was signed by TMK and Gazprom in the gas giant's Moscow headquarters.

The program is designed to facilitate production of both import-substituting and new tubular products that could be technologically sophisticated and economically efficient enough to meet the gas giant's long-term requirements. The document states that achievement of the program's paramount goal would boost the efficiency of Gazprom's projects within the framework of the Russian unified gas pipeline system and would help TMK become Gazprom's preferred supplier of tubular products as well as strengthen TMK's leadership in the pipe market.

Program priorities include collaboration in the welded LDP and seamless pipe businesses. Under the program, Gazprom would handle organizational issues and advise on the key challenges associated with construction of main pipelines and the gas giant's other facilities, and TMK would provide innovative R&D support to properly address the challenges identified.

TMK and Gazprom have been cooperating on R&D projects since 2003. Shipments recently made by TMK to Gazprom include vacuum insulated tubing (VIT) intended for permafrost well applications, 13Cr steel casing to be used in a variety of aggressive environments, and X65 seamless line pipe with the outer three-layer polypropylene coating for the undersea pipeline serving the Kirin gas condensate field on the Sakhalin shelf. In May, Gazprom received TMK's casing with ULTRA-FJ™ Premium Connections developed by the company's American division and produced at the Orsk Machine-Building Plant.

Future projects covered by the program include production of extra strong pipe resistant to collapses as well as exposure to acid gas, hydrogen sulphide, corrosion, high pressure etc. A total of 21 products are expected to be developed and manufactured under the program.

"Our companies have long strategic cooperation ties. Gazprom accounts for over 11 percent of TMK's total pipe shipments made in 2011. We are striving to fully comply with the gas giant's requirements while developing and manufacturing our tubular products as hydrocarbon production and transportation applications are getting harsher and more demanding. Gazprom is the largest consumer of innovative tubular products. And TMK's strong R&D foundation could help develop and offer the most sophisticated products that meet specific characteristics and properties required by Gazprom", said TMK CEO Alexander Shiryaev. ■

A NEW LEVEL OF EFFECTIVENESS

A team of business trainers formed at TMK has begun teaching effective management skills to entry and mid-level employees at the company's Russian manufacturing facilities. Ten individuals representing the management company, as well as Sinarsky Pipe Plant, Seversky Tube Works, Volzhsky Pipe Plant, TAGMET, and TMK Oilfield Services have successfully completed the training.

The "Effective Leader" program assumes development of basic management competencies, principles and methods. It teaches participants skills related to influencing others, time management, delegation and motivation, business communication, conflict management, business decision-making, etc. Business training sessions give participants the opportunity to structure and expand their knowledge in the area of management, as well as master management methods and increase their efficiency. ■

IT SPECIALISTS SHARE PLANS

At Taganrog Metallurgical Works (TAGMET), the second annual conference of IT departments was held. Participants discussed joint plans regarding upgrades to the company's IT infrastructure, as well as practical means of implementing newly expressed ideas.

The aim of the conference was to raise the level of knowledge in the field of information technology in response to the growing needs of TMK when it comes to obtaining high-quality service and new information services. In their presentations, representatives of the Inline Group, Microsoft, Cisco, HP, Symantec, Netwrix and other manufacturers of hardware and software reflected on contemporary issues and trends in the world of information technology, as well as spoke about new products in this area. All seminars were broadcast via video conferencing, which allowed a large number of the company's IT professionals to attend virtually. ■

APPOINTMENTS

Vladimir Oborsky

has been appointed CEO of Trade House TMK. He previously held the position of Senior Vice President of Trade House TMK. Vladimir Oborsky replaces Konstantin Semerikov, who has taken the position of TMK Vice President for Project Development and remains a member of the company's Management Board. Konstantin Semerikov has been entrusted with a new large project, which is aimed at strengthening the company's position as a global supplier of tubular products for the oil and gas industry.

Andrei Parkhomchuk has been appointed Senior Vice President of Trade House TMK. Parkhomchuk joined the company after working for MMK Group where he was responsible for selling metal products of the Turkish plant MMK Metalurji. Previously, Parkhomchuk headed metal products sales at Metinvest Holding and Mechel.

Dave Mitch

has been appointed Senior Vice President and Chief Operating Officer of TMK IPSCO. He will be responsible for all manufacturing, supply chain and quality efforts within TMK IPSCO. He has held several key leadership positions within the industry, including Executive Vice President of Copperweld Tubular Products and Vice President & General Manager of Lone Star Steel Company. Most recently, he was General Manager of US Steel Tubular. Dave holds a bachelor's degree in Metallurgical Engineering from the University of Cincinnati and a master's degree in Organizational Leadership from Geneva College.

Vladimir Kocheshkov

has been appointed Managing Director of the Orsk Machine-Building Plant. Previously, he was Director of Commercial Operations at TMK Oilfield Services. Alexander Rozhkov, who previously held the position of Managing Director of the Orsk Machine-Building Plant, has taken a position at Trade House TMK.

Over the past 13 years, Vladimir Kocheshkov's work has been connected with the Sinarsky Pipe Plant and its sales division. From December 2001 to February 2007, he held various positions at the Sinara Group. From 2003 to 2011, he was a member of the Orsk Machine-Building Plant's Board of Directors. Since February 2007, he has held leadership positions at TMK and TMK Oilfield Services. Vladimir Kocheshkov has been tasked with increasing production efficiency at the Orsk Machine-Building Plant and further development of premium product manufacturing. ■

Entering a New Corporate Year

On June 26, 2012, TMK's annual General Meeting of Shareholders was held in Moscow. Shareholders summarized the results of the past corporate year and made crucial decisions for the next period.

The high status of the event brought a degree of festivity to the day's activities. The Central House of the Entrepreneur near TMK's headquarters in Moscow was chosen as the venue, and the interior of the hall and the conference room where the meeting was held left no doubt as to the event's importance for the company, its shareholders and employees. Decorated with corporate symbols in orange and black, the space featured two flat-screen monitors showing a movie about TMK and a touchscreen panel that allowed people to read TMK's 2011 Annual Report in Russian or English, as well as look through a photo gallery featuring the most important company events in 2011.

In his report, Alexander Shiryaev, CEO of TMK, gave an overview of the company's performance for the previous year.

"TMK has been a global leader in pipe shipments for three years in a row. Last year, the company shipped record pipe volumes in the amount of 4.2 million tonnes, significantly surpassing our main global competitors," he said. "Overall, despite a difficult macroeconomic situation, TMK also improved its main performance indicators under IFRS. This includes net income of $385 million compared to $104 million in 2010."

Shiryaev noted that success in the company's development is related to the synergy effect obtained with the help of asset acquisitions on different continents. "Cooperation among divisions has allowed significant expansion of TMK's operational capabilities. Sufficient capacities in Russia and Romania allow the company to supply pipe to TMK IPSCO for further sales in the U.S. market, as the U.S. is the largest global consumer of OCTG products."

Dmitry Pumpyanskiy, Chairman of TMK's Board of Directors

Shareholders voted on a number of key questions. They approved the annual report and annual accounting reporting, including the P&L report based on the 2011 financial results; elected the Revision Committee; and approved interested-party transactions. Ernst & Young was chosen as the company's auditor. Following a recommendation by the Board of Directors, shareholders voted for an annual dividend payment based on TMK's performance in 2011.

Certain changes related to corporate governance and the Board of Directors took place. At the meeting, the Board approved a revision to the Company's Charter concerning an increase in the number of members of the Board from 10 to 11, which is associated with the increase in the number of independent directors from five to six. As a result, independent directors now make up the majority of the Board. The Board of Directors consists of the following members: Ruben Aganbegyan, Mikhail Alekseev, Andrey Kaplunov, Peter O'Brien, Sergey Papin, Dmitry Pumpyanskiy, Igor Khmelevskiy, Alexander Shiryaev, Alexander Shokhin, Bob Foresman and Oleg Schegolev.

Alexander Shiryaev commented on the Board's new members: "Peter O'Brien and Oleg Schegolev are established experts in the oil and gas industry, and they will contribute to the company's development as a global supplier of tubular products for this sector. Ruben Aganbegyan and Bob Foresman are prominent representatives of the investment community. Their authority will contribute to further improvement of TMK's corporate culture, which in the end will allow the company to fully realize its investment potential."

The first meeting of the newly-elected Board of Directors took place the same day. Dmitry Pumpyanskiy was once again elected Chairman. ■

NEW TMK BOARD MEMBERS

Ruben A. Aganbegyan

Education: Moscow State Law Academy

Experience: President of Moscow Interbank Currency Exchange (MICEX), Director of the Russian Business Sector of Renaissance Capital Investment Company, Managing Director for Project Financing and Director of Investment Banking Department of Troika Dialog Investment Company, co-head of Credit Suisse First Boston in Russia; also worked for PriceWaterhouse, Clifford Chance and Credit Suisse Financial Products (Moscow).

Peter L. O'Brien

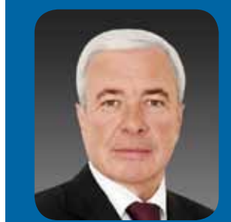
Education: Duke University (USA)

Experience: Member of the Management Board, VP (Finance & Investments) of Rosneft, Executive Director Investment Banking of Morgan Stanley in Russia, Vice President of Troika Dialog, worked in the press department of the US Treasury Department.

Bob Foresman

Education: Bucknell University (USA)

Experience: President of Barclays Capital in Russia, Deputy Chairman of Renaissance Capital, Chairman of the Management Committee for Russia and CIS at Dresdner Kleinwort Wasserstein, Head of Investment Banking for Russia and the CIS at ING Barings, director of the privatization advisory team of the Ukrainian International Finance Corporation.



Oleg A. Schegolev

Education: Moscow Finance Institute

Experience: Independent consultant, management at the leading ten oil and gas companies, First Vice President of Russneft, First Deputy Chairman of the Board of Directors at Itera, Executive Director of Slavneft, Chairman and Board Member at a number of oil and gas companies, senior specialist and deputy department director at Sibneft.

innovation

quality

performance

"R&D Vision Materializing Before Our Eyes"

Ever since ground was broken on TMK IPSCO's new R&D Center in May 2011, activity has proceeded virtually nonstop. The building was completed in just under eight months, with employees moving from the Houston sales office this past January. Fathi Hamad, Director of Research and Development at TMK IPSCO, recently spoke with *YourTube* about the work that is currently underway, plans for the center, key equipment, and the company's R&D vision.

How did the R&D Center come to be?
For a global company like TMK, actively growing its business in America, it is certainly important to have a center here for scientific research and development, allowing the company to improve product quality, reduce losses and, most importantly, become a trend-setter in the area of technology and innovation.

Two weeks after joining TMK in August 2010, I put forward a vision of creating an R&D department—a center of excellence that would allow the company to improve quality, reduce costs and, most importantly, be a trend setter rather than a follower. The plan for reaching these stated goals was based on procurement of the essential equipment, hiring skilled staff and utilizing the resources—both human and equipment—efficiently toward the identified goals.

Once these goals were accepted and a plan to achieve them approved, we had to answer key questions concerning the land and building. That process began in late 2010, and after considering several proposed sites and construction bids, we decided on the current location. By May of last year, we were ready to break ground on the new facility.

> **It is our plan to develop at least one new product every year**

Why was this particular location chosen?
Houston is a big city, and choosing the right location for the center was key for us. We wanted a property that would have easy accessibility to main traffic routes, be convenient for our customers and employees, and have the possibility of further expansion as needed. Several sites were considered, but the site that was ultimately selected—not far from the city's Energy Corridor—has proven to be the right one. Not only has the location been a big win for us, but so too has the building's design. This will be a huge asset for all of TMK.

What has been involved in getting the facility up and running?
The construction turned out to be the fastest part of the process. By early January the sales and TMK Premium teams were ready to move from our old office in Houston, and throughout the year we've been hiring additional R&D staff. Equipment deliveries are what have taken the most time, but this is to be expected given how complex and highly customized many of the key pieces of equipment are.

Which equipment has been delivered to the center so far?
Much of our metallurgy laboratory equipment has already been delivered, including a scanning electron microscope (SEM), which was delivered last December. We recently took delivery of a 2,000-ton connection tester. We are expecting delivery of an additional 1,000-ton connection tester this summer. Once installed and operational, these testers will allow us to reduce our reliance on third-parties in developing new premium connections and CAL IV testing, which will greatly improve the efficiency of testing and, as I mentioned previously, go a long way toward making TMK IPSCO a trend-setter rather than a follower when it comes to development and qualification of premium products.

Other key equipment includes a collapse tester, tensile and fatigue testers and equipment for a corrosion-testing lab. All of this will be useful for our work involving simulation, as well as modeling and analysis in the areas of new steel grade manufacture and plastic strain in welded and seamless pipe production.

Aside from pipe and specifically connections testing, what other types of work will be performed at the center?
We are planning to conduct advanced metallurgical research at the R&D Center, which will be key to our efforts to improve the quality of the steelmaking process. Work with alloys, for example, will be high on the agenda, both with regard to improved quality and reduced costs through optimized steel grade compositions. Also important will be efforts to make cleaner steel grade and specialty steels.

Can you say a few words about the R&D Center's plans for staffing?
We began the process of hiring qualified R&D staff well before the center opened. Given the high skill level required and the uniqueness of the work that we are planning to perform at the center, it takes a lot of time and resources to recruit the best staff.

Early on, we decided that a "lean," "flat" multi-skilled personnel structure would work best for the center. We wanted individuals who are creative thinkers and who could work with minimal supervision. Among the key positions at the center will be a connection testing engineer, a general metallurgy engineer, a corrosion and welding engineer, a heat treat and collapse engineer, as well as a modeling and FEA engineer. Each of these engineers will have a small team of technologists with whom they will work to pursue the company's R&D vision.

Fathi Hamad
Director of Research & Development at TMK IPSCO since August 2010.

Prior to joining the company, Fathi built a career of nearly 35 years in the steel industry. He has managerial experience in the areas of research and development, quality assurance and pipe plant operations. He spent nearly 30 years working for IPSCO in Canada in various technical capacities, including as Senior Welding Engineer, Quality Assurance Manager, and Director of Process and Welding Technologies. He also started up IPSCO's plant in Blytheville, Arkansas, serving as Plant Manager from 1999 to 2001.

Hamad holds a Bachelor of Science degree in Mechanical Engineering from the Cairo (Egypt) High Institute of Technology and a Master's of Science in Mechanical Engineering with a specialization in welding from the University of Waterloo, Canada.

What have been some of the key accomplishments of the center to date?
Although we are not yet fully operational due to the pending equipment deliveries and the need to receive additional certifications, our team has already made a number of great strides in terms of product development. The R&D vision is materializing before our eyes. Products are being improved such as grade J55 tubing with special properties, as well as new types of grade I80 welded products for mild sour-service environments and T95 casing for critical applications. Our team has also made recommendations for cost reduction actions, such as those associated with steel grade substitution.

As the center becomes fully operational, what are some of the projected benefits?
It is our plan to develop at least one new product every year. We also hope to do significant work in the area of quality improvement by recommending means to avoid defects and enhance the properties of billets and pipes. We intend to maintain the lead in expertise related to connection design.

Apart from direct R&D activities, the center will also provide an opportunity to transfer knowledge and train new TMK IPSCO employees. Finally, our facility will be instrumental in helping to market TMK products and providing support to TMK IPSCO employees.

What are the center's plans for collaboration with other institutions?
We have a fantastic working relationship with our Russian colleagues at RosNITI already, and they have been instrumental from the very beginning in helping us to implement our vision. A strong working relationship will go a long way toward helping us develop products that have applications for customers both in the U.S. and for TMK's global customers, and it will also help us to improve the operational consistency across the TMK Group.

Apart from RosNITI, we also plan to collaborate with institutions like MIT, the Colorado School of Mines, the Southwest Research Institute and the Center for Frontier Exploration Research (C-FER). ■

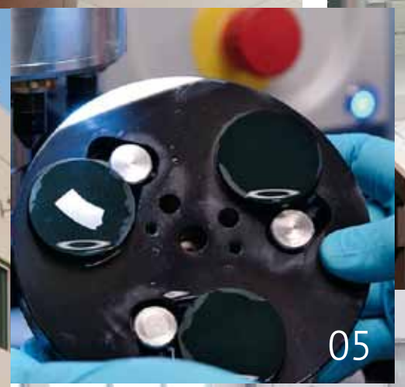

01

02

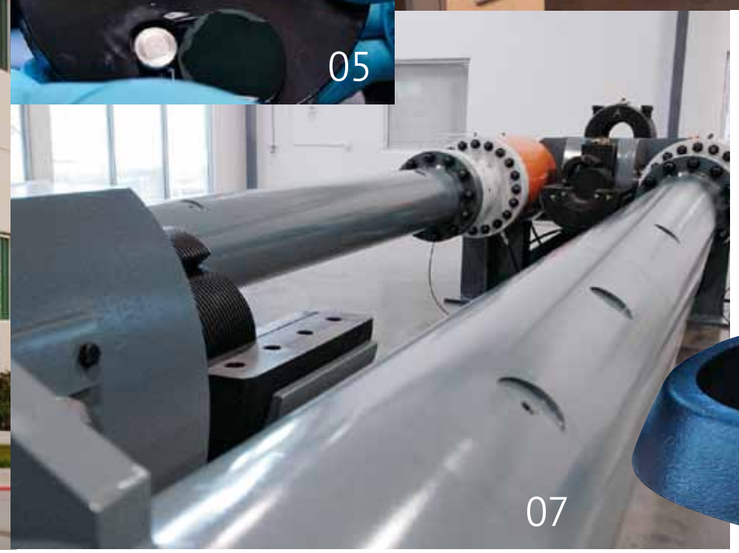

04

03

TMK IPSCO R&D Center


05


06


07


08

01. Employees inspecting Sulfide Stress Cracking (SSC) test cells
02. R&D Center reception area and showroom
03. Exterior of R&D Center
04. Amanda Bastidos, R&D Technologist, working on the Scanning Electron Microscope (SEM).
05. Automatic Polishing Machine sample holder
06. Open-office seating at R&D Center
07. 2000-Ton Connection Tester
08. Automatic Polishing Machine

Science Without Borders

Igor Pyshmintsev, General Director of RosNITI (TMK's research center in Russia) and Doctor of Engineering, tells about the development of R&D at the company and about the changes following the opening of the new R&D Center in the U.S.

The system of organizing research and development work at TMK is constantly under development. For the company's Russian plants, unified planning of R&D work began in 2007—from the moment RosNITI became part of TMK. RosNITI (Russian Research Institute of the Tube & Pipe Industries) is the largest research center in its field. It was precisely this institute that was assigned the responsibility of coordinating the company's activities according to a single R&D plan, as well as ensuring the plan's development and implementation. The next step was to include the service businesses of our division in this process. In 2010, we went beyond Russia's borders to involve both the company's European and American divisions in organizing the institute's work.

For an institute with a 50-year history, work on the American continent and in Romania became a special milestone. As a result of our research activities we have been able to come up with solutions, present recommendations and draw conclusions of both a practical and theoretical nature. The latter is often equally important, as it may apply to other facilities and processes. Moreover, we developed cooperation mechanisms and set direction for new activities. I am pleased to note that we have reached a level of mutual understanding with our American and Romanian colleagues and that language barriers did not become an obstacle to establishing collaborative work and amicable communication.

The opening of the R&D Center in Houston predetermined new tasks and principles of organizing collaborative work. This first of all concerns coordinating the subjects we will work on, which is necessary in order to avoid duplication of costs and the repetition of unavoidable slip-ups and mistakes that are common in research work. It also allows for accelerated replication of R&D results at the company's plants on both sides of the ocean. At the same time it is important to note that development of subjects to be worked on and the equipment of both Russian and American centers are carried out by taking into consideration the capabilities and specialization of each center in accordance with their general goals. In order to establish collaboration, we created an exchange program for RosNITI and R&D Center specialists starting at the beginning of this year. This program involves an internship lasting one or two months for specialists and covers the primary areas of research, including the implementation of previously-planned work at the company's laboratories and plants.

> It is very important to unite efforts and plan collaborative work

One example of collaboration is research on the particularities metal corrosion damage in OCTG under critical operating conditions. The purpose of this work is to develop effective measures to increase reliability in the environments of particular shale plays. Such research has been performed at RosNITI for a long time. Methodologies have been developed, a unique laboratory has been equipped, and specialists have acquired certain practical experience that has proven itself in the field. This task is pertinent on the American continent as well, which is why a corrosion lab was also established in Houston. Although smaller in size and with a smaller selection of testing methods than the lab at RosNITI, it nevertheless allows certain tasks to be tackled. In recognition of our need to unite efforts and plan collaborative work, Irina Kostitsyna, Head of RosNITI's Corrosion Research Department, will come to Houston as part of the exchange program; other employees from the department will follow her.

Another company-wide task is the achievement of high collapse resistance in casing under external hydrostatical pressure. Customers from several regions in the U.S. pay particular attention to this characteristic. Such pipe is produced at TMK plants in Russia, and the Volzhsky Pipe Plant has a tester unique in Russia. A group of specialists from RosNITI under the leadership of Professor Alexander Vydrin has suggested using the neural network method to analyze the influence of various collapse factors. This approach will be tested using American data as well.

These are just a few examples. This year, as part of the research program, a total of 11 collaborative activities involving the participation of Russian specialists have been planned at the R&D Center in Houston. These activities are related to new product types and include the creation of new product lines with special functional purposes, development and testing of threaded connections, research and improvement of rolling technology and heat treatment of seamless pipe, as well as development of directions aimed at improving welded pipe manufacturing.

It should be noted that the company has built strong contacts with researchers from academic institutes, well-known universities, as well as with leading experts from a variety of organizations both in Russia and the U.S. As part of our collaborative efforts, these contacts will be developed even further. Serving as a base for this are long-term agreements signed by the company that take into account the business development interests on both sides of the ocean. ■

RosNITI's scientific activities enable significant improvements to products' quality characteristics

> This year, a total of 11 collaborative activities involving the participation of Russian specialists have been planned at the R&D Center in Houston

Pilot Project by TMK-ARTROM

TMK-ARTROM is successfully collaborating with the Russian Research Institute for the Tube and Pipe Industries (RosNITI) to optimize production processes. The extensive R&D experience acquired by company's subsidiaries serves as the basis for this cooperation.

TMK-ARTROM's success in the European market is based on its commitment to respond quickly to the growing needs of its customers. Due to ongoing interaction with the company's customers, production staff is well aware of specific requirements in different areas. In order to improve product performance and develop new product ranges, the Romanian plant is carrying out systematic work to modernize production processes.

TMK-ARTROM has a well established circle of R&D partners. For example, collaboration with the Romanian company S. C. ROMTUB S.A. resulted in the successful completion of several projects that improved hot and cold rolling processes, heat treatment, and the manufacturing of specialized tools for hot rolling, including alloy and non-alloy steel tubing for offshore oil platforms. Research topics also covered the upgrade of alloy and non-alloy steel production methods by introducing the latest piercing technology with internal cooling of the mandrel and by eliminating hot rolling defects from TMK-RESITA's billets.

Having joined TMK's European division, the Romanian plants have had the opportunity to utilize the powerful research foundation and scientific potential of RosNITI, TMK's scientific and technical center, as well as to gain extensive knowledge of process improvements that have been implemented at the company's Russian facilities. Close collaboration between TMK-ARTROM and TMK-RESITA on the one hand and the technology division of the holding company on the other has allowed for close monitoring of all R&D activities in specific areas.

Briquetted graphite made by TMK-ARTROM

Constantin Neacsu, Managing Director at TMK-ARTROM

"Accordingly, we were able to learn about the results achieved by Volzhsky Pipe Plant in one of its R&D projects on seamless pipe that was quite interesting to us," said Constantin Neacsu, Managing Director at TMK-ARTROM. "Based on this information, we started to collaborate with RosNITI on implementing a similar project on the hot rolling line at CPE shop No. 2. This project became the first example of our cooperation with TMK's scientific and technical center."

The joint R&D pilot project involving TMK-ARTROM and RosNITI started in mid-2010. The Romanian plant was planning to introduce new seamless pipe production methods that would improve the durability of the CPE roller stands, thus leading to an increase in capacity. As explained by Constantin Neacsu, CPE roller stands, which work to reduce the diameter of shells, frequently fail due to the rapid wear of rollers.

"There was another problem—hot metal from shells tended to stick to rollers, causing roll marks on the finished product and its rejection," said Neacsu.

The solution was to use briquetted graphite lubricant. Neacsu explained that lubricants decrease friction between rollers and shells while the use of graphite was due to it being the most effective high-temperature lubricant (temperature of the shell exceeds 1,000 °C).

In the course of the project, RosNITI scientists designed a new briquette shape for the lubricant and special equipment to apply it to CPE rollers and developed the process flow diagram (PFD). Equipment and platelets were then produced at TMK-ARTROM. This year, this technology was implemented at the production line of the CPE mill, and pilot testing demonstrated its effectiveness.

"We highly value these achievements," noted Neacsu. "Technical advances in the seamless pipe production process have significantly improved the quality of external surfaces of the final product and increased productivity. Moreover, we have been able to lower production costs and, consequently, unit costs as well."

After successfully completing their first joint project, TMK-ARTROM and RosNITI have begun working to develop new ideas for collaboration. For example, an R&D project to improve the calibration of sizing mill rollers in order to produce new ranges of pipe is currently in the pipeline. TMK-ARTROM specialists are confident that their collaboration with RosNITI to improve product quality and lower production costs will become permanent and ongoing. ■

Azerbaijan: 10 Years of Confident Growth

The representative office of Trade House TMK in Azerbaijan has been in operation since 2002. During this time, TMK's pipe shipments to the country have increased by several thousand tonnes to nearly 60,000 tonnes, making TMK one of its market leaders.

The last 20 years have seen steady annual growth of Azerbaijan's economy. According to figures published by the World Bank, Azerbaijan's GDP growth in the period from 1996 to 2000 was in the single digits, and, since 2000, double-digit growth has been the story. The highest GDP growth in Azerbaijan was recorded in 2006 at 34.5 percent. Economic growth has now stabilized, but it is still showing a positive trend.

Azerbaijan's oil and gas industry accounts for the lion's share of economic growth in the country. Whereas in the early 1990s Azerbaijan produced 9 million tonnes of oil per year, today the figure is approximately 50 million tonnes. In other words, oil production has increased by a factor of 5.5. The situation has been the same with respect to natural gas production. Until very recently, Azerbaijan experienced a shortage of the "blue fuel" and imported it from Russia. In recent years, however, the country began to independently develop its gas fields, and Azerbaijan now finds itself exporting gas to several countries, including Russia. In just the last five months, the country's foreign trade reached $14.4 billion, which at current prices is 2.5 percent more than the same period of 2011. The volume of exported goods is estimated at $3.67 billion, with the share of crude oil, petroleum products and natural gas making up 93.7 percent of the total.

The state has made it a priority to ensure the efficient operation of national oil and gas fields. The largest company in the country is the state-run oil company of Azerbaijan—SOCAR—which includes production, refining and transportation facilities, as well as research institutes. It has the status as the country's only subsoil user. SOCAR is one of TMK's main partners in Azerbaijan. International operators managed by GLOBAL ENERGY, with which TMK also has established business relationships, are present in the country.

The representative office of Trade House TMK opened in 2002. Everything began with small deliveries of pipe, but with each passing year, the TMK brand grows stronger in the country's market. Owing to the quality of the pipe supplied, as well as to strict adherence to delivery deadlines and employees' adeptness in working with both new and long-standing customers, TMK's share of the market reached 22 percent in 2009 and 38 percent last year. In total, TMK shipped 56,800 tonnes of pipe products to Azerbaijan last year and held a comfortable position of leadership among Russian suppliers, as well as among the Chinese, Turkish and Ukrainian producers with which it competes.

TMK supplies threaded OCTG, line pipe and large diameter pipe for pipelines. The Trade House TMK representative office is actively increasing deliveries not only for the oil and gas sector, but for other sectors of the country's economy as well. A significant amount of pipe is supplied to the construction market and the residential utilities sector. Recovery of the construction market after the 2008 financial crisis and the adoption of a state gasification program have resulted in higher demand for small and medium diameter welded pipe. Furthermore, business relations have been established between TMK and AZENCO, which is the general contractor for the construction of 20 technology parks across Azerbaijan.

Experts predict further growth in Azerbaijan's pipe market. This forecast is connected with the planned commissioning of a number of promising oil and gas projects that will result in increased demand for pipe. TMK will also seek to become their main supplier. ■

TMK's share of the Azerbaijanian market reached 22 percent in 2009 and 38 percent last year

The Trade House TMK representative office is actively increasing deliveries not only for the oil and gas sector but for other sectors of the country's economy as well

MUD VOLCANOES

Azerbaijan ranks first in the world in the number of mud volcanoes. These volcanoes are holes or depressions on the surface of the earth from which mud and gasses continuously erupt, often accompanied by water and oil. In addition to the rich deposits of gas condensate and oil discovered in the areas of mud volcanoes, the lava, soil and liquids also bring benefit. They are used as raw materials for the chemical and construction industries, as well as in pharmacology.

Three hundred fifty of the 800 mud volcanoes that have been found in the world are located in Azerbaijan. To date, the country has seen more than 200 eruptions. They are almost always accompanied by strong explosions and subterranean rumble. Gasses emitted from the deep layers of the earth immediately ignite. The height of the flame above the volcano reaches up to 1,000 meters. Interestingly, geologists at NASA who are studying the nature of the Mars surface have come to the conclusion that Azerbaijan's mud volcanoes are similar in structure to the altitudes of the red planet. It is believed that the first eruption of mud volcanoes in Azerbaijan occurred 25 million years ago.

OTC 2012 Unmasks TMK's Success

In early May, TMK participated in the Offshore Technology Conference (OTC) at the Reliant Center in Houston, Texas.

The premier event in the oil and gas industry, OTC is dedicated to the development of offshore resources and features cutting-edge technologies related to drilling, exploration, production, and environmental protection. Featuring more than 2,500 exhibitors, it is the place to see and be seen in the marketplace. Spanning four days and three venues, OTC welcomed 89,400 visitors from more than 100 different countries— some 90,000 the highest number in the last 30 years and an increase of 14 percent over last year. The event ranks among the top 10 trade shows in the U.S. in terms of attendance.

TMK ON DISPLAY

TMK's innovative booth—a modern two-story design created to resemble a pipe thread— showcased the company's products and latest innovations. Members of the TMK IPSCO sales team greeted visitors and educated customers about the company's technology, products and services.

The lower level of the booth was equipped with large monitors highlighting the company's newest products. Customers were also able to see a product demonstration with the company's iPad application. On the upper level, guests could enjoy premium Russian vodka in the bar and lounge.

"There is no other event like OTC," said Scott Barnes, Senior Vice President and Chief Commercial Officer at TMK IPSCO. "Our presence here is designed to give our guests an innovative experience, and it enables us to build relationships with customers face-to-face."

This year marks TMK's third time participating in OTC. It was also the company's first time showcasing a booth in the middle of the Reliant Center, which served to increase traffic to the booth.

LIFE IS A MASQUERADE

In addition to the exhibition booth, on May 4, TMK IPSCO hosted an event at Tony's Restaurant in Houston for more than 300 of the company's most important customers, suppliers and distributors. The event was a chance for TMK leaders to thank so many of the company's industry partners who have helped TMK achieve its success.

Featuring a Venetian carnival theme, party guests were given masks to wear while they feasted on a gourmet selection of meats, cheeses, seafood, chocolates, and desserts. Entertainment included a world-class jazz band, as well as Spanish guitar players on the outdoor patio. The party's décor included ice sculptures and a living art installation featuring a model perched above the crowd decked fully in a Renaissance inspired gold Venetian costume.

"This atmosphere is incredible," said Vicki Avril, President and CEO of TMK IPSCO. "We really appreciate our customers and distributors. This party is just a small demonstration of our appreciation for them."

TMK IPSCO Chairman Piotr Galitzine spoke to the crowd of VIPs in attendance that evening. "As you know, the Venetian Carnival serves as our theme and backdrop for our party tonight," he said. "At its height, the city of Venice was an essential center of commerce and trade, with boats passing through its waters from all over the world. Much like the great city of Venice, tonight we celebrate how TMK has risen to the top of our industry internationally, becoming a global success."

Galitzine concluded his speech by thanking TMK's customers. "Without our customers," he said, "none of what we do would matter, so thank you, sincerely, for your partnership and commitment. I look forward to our continued partnership for many years to come."

TMK intends to continue its participation at OTC in the years ahead. With a focus on both innovation and celebration, OTC serves as the pinnacle backdrop in the demonstration of TMK's success. ■

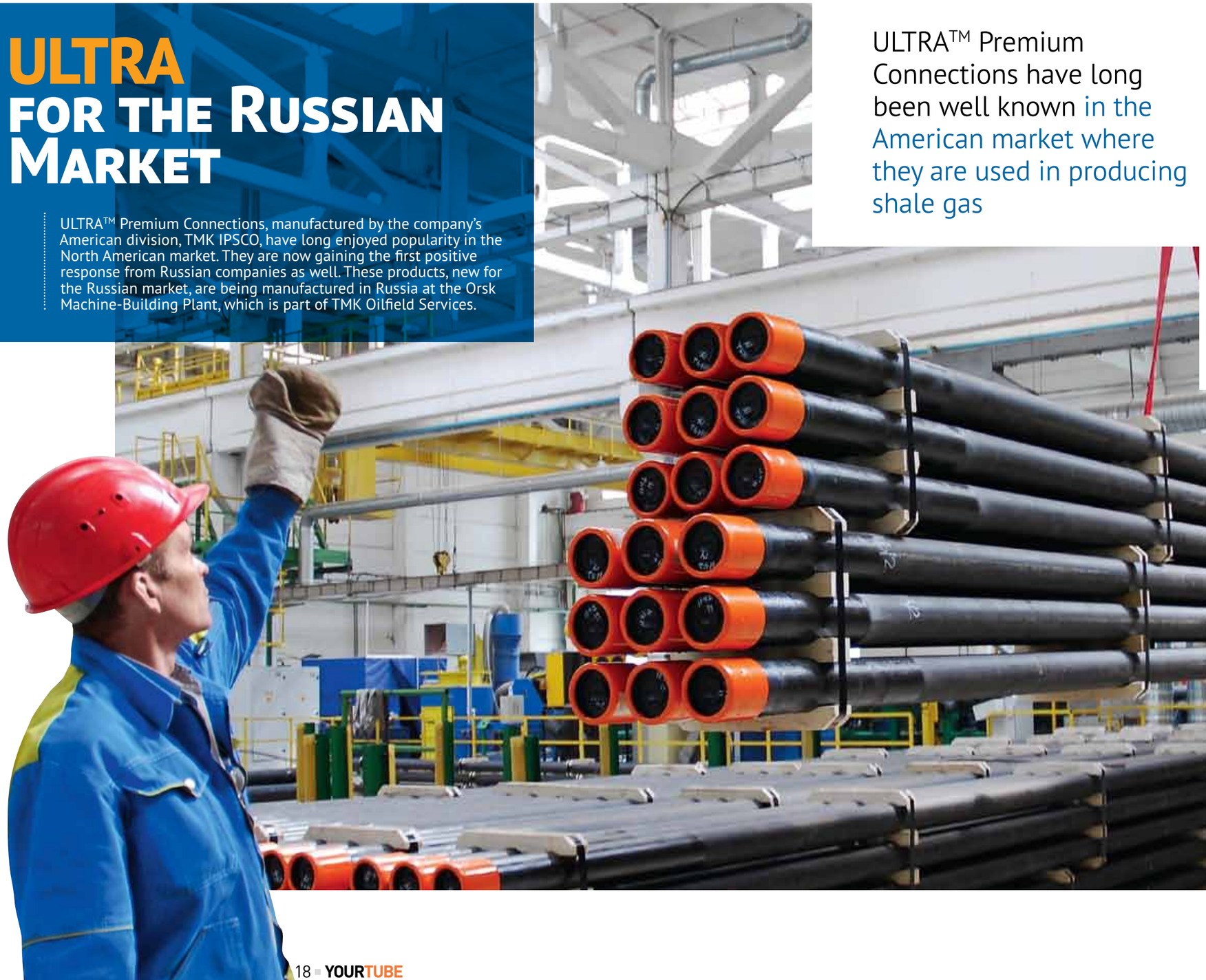
"Our presence here is designed to give our guests an innovative experience, and it enables us to build relationships with customers face-to-face"

Scott Barnes, Senior Vice President & Chief Commercial Officer, TMK IPSCO

TMK's innovative booth—a modern two-story design created to resemble a pipe thread— showcased the company's products and latest innovations

ULTRA FOR THE RUSSIAN MARKET

ULTRA™ Premium Connections, manufactured by the company's American division, TMK IPSCO, have long enjoyed popularity in the North American market. They are now gaining the first positive response from Russian companies as well. These products, new for the Russian market, are being manufactured in Russia at the Orsk Machine-Building Plant, which is part of TMK Oilfield Services.



ULTRA™ Premium Connections have long been well known in the American market where they are used in producing shale gas

In the oil and gas industry product segment, a priority market for TMK, the company is actively developing its premium line. In Russia, TMK is still the only company that offers the market highly gas-tight premium-grade connections. Operators in the oil and gas market have come to appreciate the fact that the use of pipe with such connections in hydrocarbon production yields substantial savings. TMK's traditional premium offering to Russian companies includes a range of connections from TMK's Russian family, which is constantly expanding. Just last year, several new products were launched—TMK CWB for casing and TMK PF for tubing, both of which are intended for use in the latest drilling and production technologies. This year, TMK has expanded its offer by bringing flush-joint ULTRA™ Premium Connections to the Russian market.

ULTRA QUALITY

The ULTRA family long ago earned a strong reputation in the North American market, and with each year, demand only increases. This is in large part due to the intensive development of shale gas in North America. Growing demand and increased sales have served as

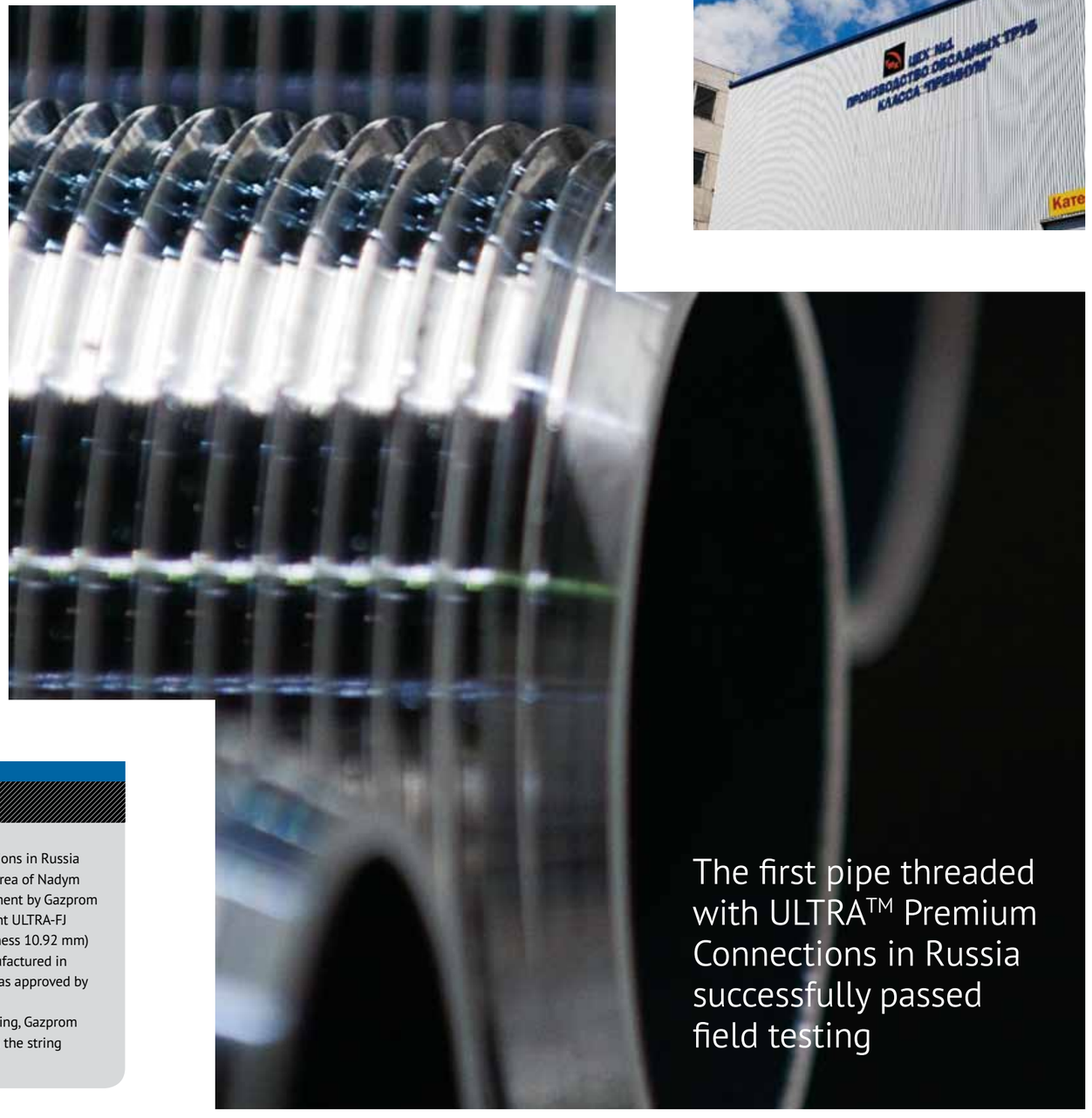
a premise for further investment by TMK in expanding ULTRA threading capacity in the U.S. In 2010, a new threading facility was built in Brookfield, Ohio, and the following year a second thread line was commissioned at the plant. In 2012, construction work began on a new facility in Edmonton, Alberta. Currently, the ULTRA line of flush-joint connections enjoys a 30 percent share of the market for premium connections used in North American shale gas production.

The next step in developing the premium business involves bringing production of ULTRA to Russia. Through cooperation and technology transfer between the company's Russian and American divisions, the Orsk Machine-Building Plant became the first Russian manufacturing facility to produce ULTRA Premium Connections.

BRINGING ULTRA MANUFACTURING TO RUSSIA

The Orsk Machine-Building Plant is part of TMK Oilfield Services, and until recently, its main products for oil and gas companies were tool joints and accessories for oil production equipment. In July 2010, a shop to manufacture premium products was commissioned at the plant. Within a year, the plant was able to modernize the assembly for future production, purchase both imported and Russian-manufactured high-tech equipment and train personnel. In October 2011, the plant commissioned a line to thread TMK's Russian family of premium connections. Already in the spring the first shipments of casing threaded with ULTRA-FJ™ Premium Connections had been made to Gazprom and Lukoil.

"The shipments of our premium product, new for the Russian market, to such large companies as Gazprom and Lukoil confirm our ambition to offer innovative products of the highest class to our partners," said Sergei Bilan, TMK Vice President for Premium Products and Services.



The first pipe threaded with ULTRA™ Premium Connections in Russia successfully passed field testing

In June, a string of pipe threaded with ULTRA-FJ Premium Connections was run for the for the first time in Yamal

FIRST SUCCESS

Even before the first deliveries of ULTRA connections, Russia's largest customers showed great interest in the product. In January, a Gazprom delegation visited TMK IPSCO to learn about ULTRA threading. Specifically, Gazprom's interest was driven by a number of projects involving challenging production conditions. For example, near the town of Nadym (Yamalo-Nenets Autonomous District), the company is working to develop vast reserves of oil and natural gas.

In Yamal, the casing threaded in Orsk with ULTRA-FJ connections for Gazprom was subjected to a strength test. In early June, a string of pipe threaded with ULTRA-FJ connections was successfully run at the South Parusovaya area belonging to Gazprom Dobycha Yamburg.

ULTRA's first successful steps on the Russian market, just like increased demand for the Russian premium threads from overseas, is forming a new market for the company's premium business and strengthening its position as an elite manufacturer of premium products.

"The synergetic effect of collaboration between TMK's Russian and American divisions is reflected in the expanding range of high-tech products that the company supplies to both global and local markets," said Alexander Shiryaev, TMK CEO. "Among other things, the production of the ULTRA Premium Connections in Russia will allow us to improve our own Premium class offering to the largest Russian oil and gas companies, in which they are becoming increasingly interested."

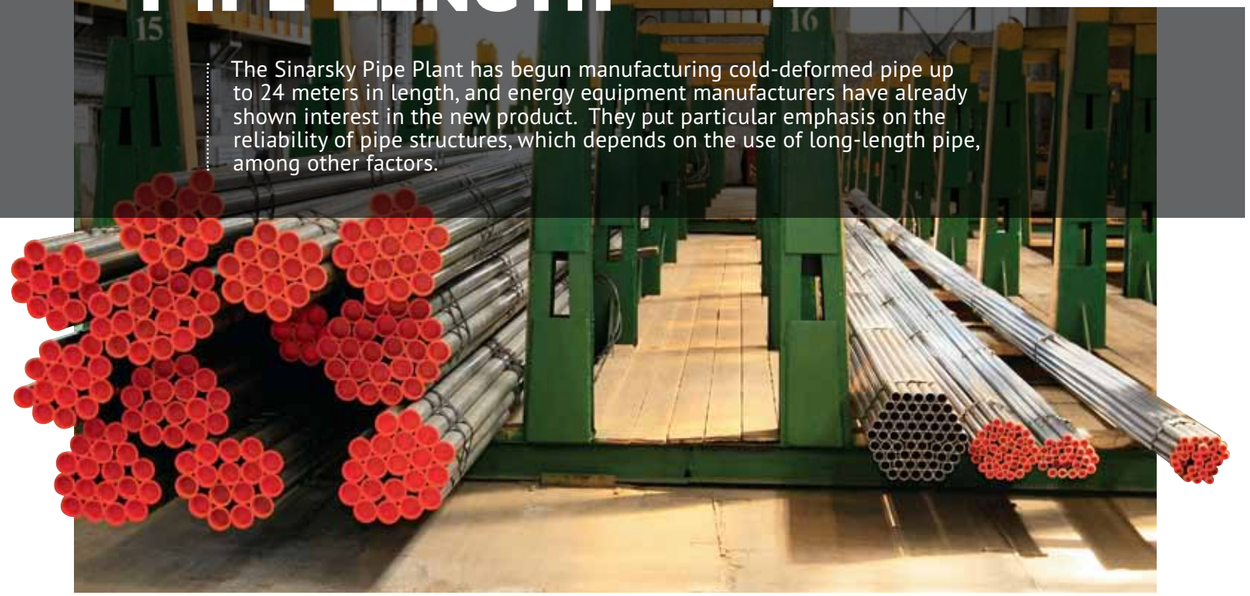
YAMAL TESTS

In June, the first pipe threaded with ULTRA™ Premium Connections in Russia was subjected to field tests in a well at the South Parusovaya area of Nadym (Yamalo-Nenets Autonomous District), which is under development by Gazprom Dobycha Yamburg. The string, consisting of casing with gas-tight ULTRA-FJ Premium Connections (grade N80Q, OD 193.68 mm, wall thickness 10.92 mm) was run to a depth of more than 1.2 km. The product was manufactured in accordance with technical specifications of the producer and was approved by experts from Gazprom VNIIGAZ.

Specialists from three Gazprom subsidiaries—Gazprom Drilling, Gazprom Dobycha Yamburg and TyumenNIIgiprogaz—were satisfied with the string assembly and running.

Increasing Pipe Length

The Sinarsky Pipe Plant has begun manufacturing cold-deformed pipe up to 24 meters in length, and energy equipment manufacturers have already shown interest in the new product. They put particular emphasis on the reliability of pipe structures, which depends on the use of long-length pipe, among other factors.



A long-length pipe production line has been commissioned at the Sinarsky Pipe Plant, where new equipment allows for the production of cold-deformed carbon steel industrial pipe up to 24 meters in length. Few Russian companies produce long-length pipe, and TMK is the only company capable of producing pipes up to 24 meters. The new product conforms to the highest quality standards and has seen particularly strong interest from potential customers in the nuclear, mechanical equipment and energy sectors.

Roman Melnikov,
Krasny Kotelshchik Boiler-Making Works, Taganrog:

We have a long-standing history of effective cooperation with the Sinarsky Pipe Plant, and the introduction of new long-length pipe products will open up new areas where we can work together. Our company has already placed an order for the new pipe.

Heat exchangers and other vessels containing liquids and steam under high pressure and high temperature conditions require pipe structures with a high degree of reliability. This can be achieved only by reducing the overall number of connecting seams, which is where long-length pipe comes into play.

The new production line contains the most advanced equipment, such as an Ebner protective atmosphere gas furnace, a Bronx 10-roll straightening machine, an Eddyscan non-destructive tester, a pipe cutting line, and a Prestar pipe inspection rack. The production investment program also includes upgrades to the 30-ton Chevalier drawbench and KhPT-55 and KhPT-75 cold-rolling mills.

Significant improvements were made to employees' working conditions, bringing them in line with the latest occupational and industrial safety standards. Manual labor was completely eliminated, and automated control stations were equipped with up-to-date HVAC equipment. Obsolete stationary and ceiling lighting on the machine floor was replaced with more energy-efficient fixtures.

The project, which is part of a comprehensive company-wide strategic development program, aims to increase the product range of cold-deformed pipe, improve the production flow by concentrating the main equipment within two aisles of the shop, and shorten the production cycle.

"Starting the production of long-length cold-deformed pipe will strengthen our position in this specialized segment of the market catering to strategically important industrial customers," said Alexander Shiryaev, TMK CEO. "The completion of this project will allow us to fully meet the needs of our customers in long-length pipe, while fully complying with the most stringent quality standards."

Andrei Sinyakov,
ZIO-Podolsk Energy Equipment Works:

I visited the Sinarsky Pipe Plant a year ago, and the progress was evident. The B-2 shop was completely transformed by its new production line. We were able to see for ourselves that the plant met all the requirements to manufacture long-length pipe. In the near future we are planning to discuss placing orders with Trade House TMK.

INTRODUCING THE PRODUCT

Potential customers had an opportunity to learn about this unique new product offered by TMK while visiting the Sinarsky Pipe Plant. The tour was organized as part of a workshop titled "TMK's Innovations in the Production of Boiler Tubes," to which TMK invited its partners representing major energy equipment manufacturers from Podolsk, Belgorod, Barnaul and Taganrog. The TMK Group was represented by employees of the holding company, Trade House TMK and its offices in Volzhsky and Kamensk-Uralsky, as well as by managers and technical specialists from the Sinarsky Pipe Plant.

Apart from the long-length pipe production line, participants also examined production at TMK-INOX, a joint venture between TMK and RUSNANO in the production of precision stainless steel and alloy steel pipe. This shop is also being equipped to manufacture stainless long-length pipe. The Electrostal rolling mill for long-length pipe up to 20 meters long was installed. The new external surface-polishing machine is currently operational. The investment program also provides for construction of a unique protective atmosphere furnace with extra-clean air for heat treatment. The implementation of the new production process that utilizes existing and new equipment will allow the company to produce high-quality precision pipe up to 30 meters in length, which is very much in demand among energy sector customers.

Long-length pipe is required in critical structures where reliability is achieved by reducing the number of connecting seams, among other factors

TMK is Russia's only producer of pipe up to 24 meters in length

Aside from tours, the workshop also included an informational session, during which Sergei Chetverikov, Managing Director of the Sinarsky Pipe Plant, and Dmitry Ovchinnikov, Chief Engineer at Sinarsky, talked about improving the company's strategic development program, strengthening its human and scientific potential and introducing new products. In addition, Sergei Alexeev, TMK's Director of Marketing, shared information on market dynamics for boiler tubes, as well as consumption and new product development trends in energy equipment manufacturing.

"Boiler tubes are certainly of interest to TMK, and our company is continuing to develop this promising area," noted Sergei Alexeev. "Interest shown by energy equipment manufacturers in this workshop clearly demonstrates the growing demand in this segment of the market and proves the appeal of TMK's offerings."

In Mr. Alexeev's opinion, such meetings help to develop relationships and demonstrate the company's commitment to customers and their needs. ■

Igor Fayzrakhmanov,
ENERGOTEKHPROM, Podolsk:

I have been working with the Sinarsky Pipe Plant since 1996. The facility has undergone significant changes since then, including upgrades to its production processes, expansion of the manufacturing capacity, and the creation of a strong team of professionals at the Trade House TMK office in Kamensk-Uralsky. We were very happy to become the first customer to order Russian-manufactured long-length pipe. Such high-quality products will always be in demand, and it is best to procure them from reliable partners, such as TMK.

» At a groundbreaking ceremony, company and community leaders gathered to commemorate the project

TMK IPSCO Breaks Ground on New Facility in Odessa

TMK IPSCO has begun development of a new 69,000-square foot facility in Odessa, Texas. Consisting of two main buildings, the new facilities will host ULTRA™ Premium Connection manufacturing, including both pipe pre-processing and threading. The new site is located on 37 acres on the eastern border of Odessa.

The site is projected to be fully operational by the end of the year

Consolidation will provide improved production and reduced response times for customers

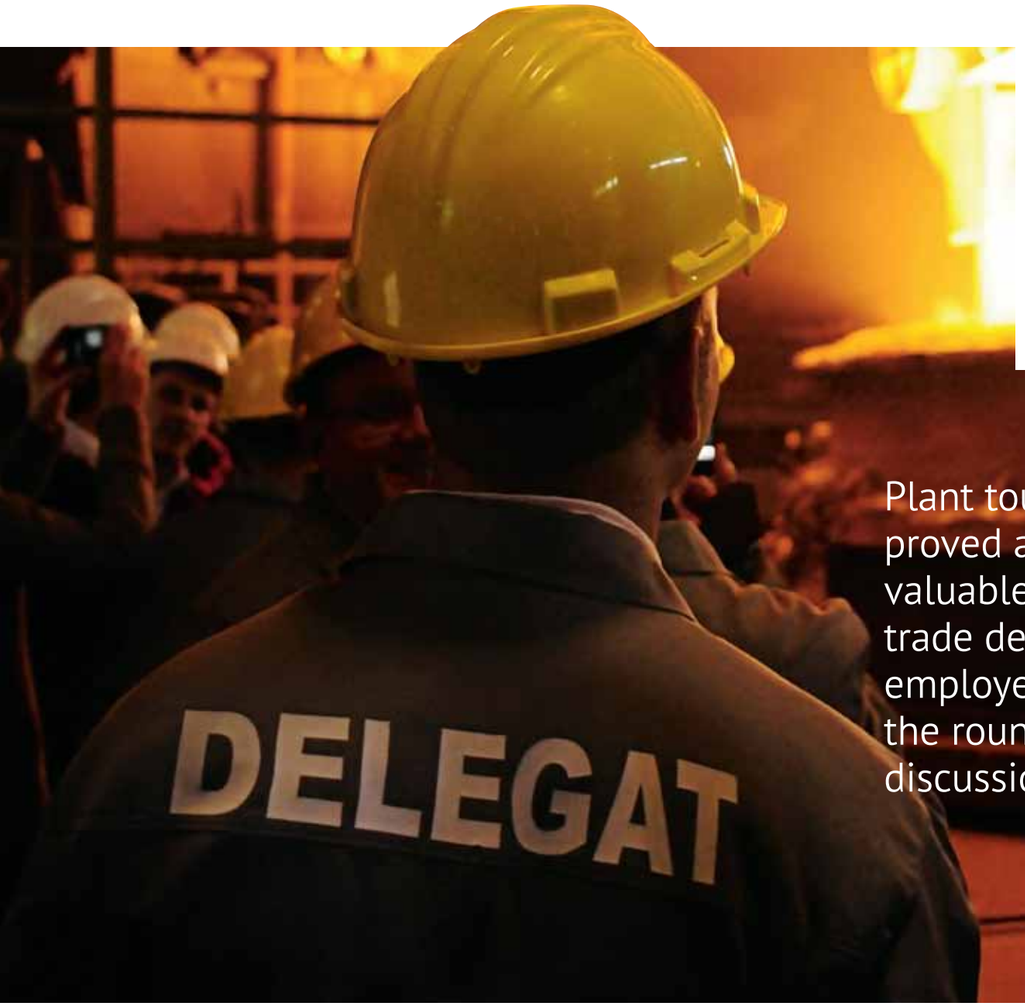
At a groundbreaking ceremony on Wednesday, May 9, company and community leaders gathered to commemorate the project. The site is projected to be fully operational by the end of the year. "This operational expansion further exemplifies our commitment to innovating our company and serving our customers," said Piotr Galitzine, Chairman of TMK IPSCO. "This improvement will enable us to increase our capacity in an extremely busy market."

The new site will streamline the company's Premium operations in Odessa, which are currently spread out over many sites and buildings. Consolidation of these operations will provide improved production and reduced response times for customers. The high-tech equipment in the new construction will include quality labs, laser length measuring systems, a bar code pipe tracking system, climate-controlled operations and modern employee amenities. The site will contain three pipe threading lines and one tubing line, which will continue to cover the Odessa plant's current capabilities of 2 3/8" to 13 3/8" size range.

The staff currently employed at the Odessa plant will be relocated to the new site once it is operational. ■

More Effective Together

A traditional meeting of trade department employees and technical specialists from TMK's European Division was held recently in the Romanian town of Resita. Apart from a productive meeting, participants were able to interact socially and left with vivid impressions from a rich cultural program that had been organized for them.



Plant tours proved as valuable for the trade department employees as the roundtable discussions did

A boat tour on the Danube was added to the meeting

Every year TMK's European Division holds meetings that bring together trade department employees (TMK Europe, TMK Italia, and the commercial department of TMK-ARTROM), production workers and technical specialists from TMK-ARTROM and TMK-RESITA, as well as management from the European manufacturing facilities. Ever since 2009, when the European Division's trade departments began a single, integrated approach to promoting TMK's entire product mix in Europe, these meetings have become one of the most important means of increasing sales effectiveness.

Through these meetings the sales teams and manufacturing specialists have the opportunity to share information and suggestions on current performance, as well as discuss outstanding issues and possible solutions. The meeting requires meticulous preparation for work and dialogue. The sales teams learn about the particularities of production processes and innovations in order to inform their customers later. The operations teams, in turn, gain a better understanding of customer inquiries related to products and services. During these discussions the directors of the Romanian plants and the Division's management team make themselves available for any questions.

Considering the importance of the event, the organizers strive to make it as busy and interesting as possible. For instance, last year the meeting took place in the Romanian town of Slatina, which is where TMK-ARTROM is located. Participants regarded the three days spent there to be both useful and pleasant.

This year, Resita, home of TMK-RESITA, was chosen as the meeting's location. After the first two days of intense

Luca Zorzi,
Managing Director of TMK Italia

The meeting was well organized, as always. The program, TMK-RESITA's event itself and a wonderful cultural program all helped us to achieve positive results. During the discussion of the 2011 results, it became evident that the European Division was able to overcome market volatility due to the commercial strategy developed within the company—a strategy that has always accounted for existing market risks.

The meeting itself was a vivid indicator of how much our teams are customer-oriented. All departments are focused on customer service; using all means possible, they work to satisfy commercial needs and demonstrate necessary flexibility. In my opinion, the most important was the dialogue between the technical and sales teams. We were able to share opinions on market trends, our capabilities, projects and investments. I am convinced that these discussions created a foundation for a plan that is clear in terms of further actions. It is impossible to predict the future, but our continuous efforts to objectively evaluate our products and market situation, as well as overall orientation toward meeting customers' needs should help us cope with all possible problems. In fact, the company's success fully depends on how effectively employees work, which is at least in part the result of such meetings.

Gigantic stone-carved image of the Dacian King Decebalus impresses with its monumental scale

Costinel Barbulescu,
Commercial Director of TMK-ARTROM

The meeting of the European Division's commercial departments, which continued a tradition started in 2009, was held in a different format this year. The meeting location was changed and the participant list expanded significantly. Among those present were all the members of sales and purchasing teams, as well as representatives from the technical and quality departments of TMK-ARTROM.

The dialogue turned out to be fruitful with many important issues discussed. We analyzed the Division's performance results in 2011 and the first quarter of 2012, as well as the market forecast for the current year. Moreover, we reviewed technical product requirements and TMK-ARTROM's development plan up to 2020.

I am pleased to note the interest expressed by our colleagues from the European sales team in the manufacturing practices of the Romanian plants, especially with regard to new product development issues: higher quality steel grades and high value added heat treated products. At the meeting they expressed interest in the plants' existing and prospective opportunities for conducting quality control, which is important for customers. They were also interested in the possibility of accepting small production orders with tight shipment deadlines. In my opinion, communication between the sales teams was equally important, since it fosters development of relationships and consolidation of efforts in growing sales.

work-related discussions, participants were offered plant tours, which proved as valuable for the trade department employees as the roundtable discussions did. The sales policies of the European Division state that sales professionals should not only sell smartly and have a solid customer base, but they should also have a full understanding of the processes involved in manufacturing the products they sell.

Over the last several years the European Division has been earnestly expanding production and sales. Today its facilities account for over 70 percent of TMK's product sales in Europe. Because of the carefully crafted strategy and coherent work of the sales teams, even during the recession TMK was able to fill new niches in the European market and sell products in areas where it was previously unable to prove itself. For instance, it was able to enter the markets of Poland, the Baltic countries, Britain and Bulgaria. The largest order volumes are in southwestern and western Europe, followed by central and northern Europe, and, finally, by the Balkans and southeastern Europe.

The European Division has set for itself the task of increasing the share of high value added products in its mix. To ensure that this task is met, sales teams must act to keep customers and offer them the best—the products they need, an optimal order fulfillment schedule, on time delivery and certainly high quality when it comes to products and customer service.

"Our task is not only to increase our annual sales volumes. In the near future, we must constantly demonstrate a noticeable growth dynamic when it comes to high value added product shipments," said Adrian Popescu, CEO of the European Division.

During meetings in Resita, employees of TMK Europe, TMK Italia and TMK-ARTROM's trade department discussed new tasks regarding compliance with trends in conservative European markets. Given that Romanian companies are working with small quantities, sales representatives must listen to every customer to detect changing trends in product demand. As the trade departments' employees say, Europeans are selective, they do not need much, but they want the best and they do not want to wait.

Mr. Popescu set the priorities from the very beginning: "We cannot produce relying only on our own wishes and capabilities. That is why our company's investment plans are created to match the requirements of the European market as well as our customers' demands."

The commercial departments received valuable information from the manufacturers. An important element of this year's meeting was a presentation of investment projects, not only those currently being implemented at the Romanian plants, but also those planned for the near future. Sales representatives must know about these projects in order to correctly communicate information on the company's new capabilities to customers. They must also have a clear understanding of new products and delivery deadlines. Starting next year, there are plans to have employees from the economic and finance departments participate in discussions, which will add even more value to the meetings.

This year the meeting of European Division representatives ended with a cultural program: a boat tour on the Danube and local sightseeing. After passing through the famous "iron gate" on the Danube, touring the ancient city of Orshov and admiring the gigantic stone-carved images of the Dacian King Decebalus, TMK employees returned home to begin working on their plans. ■

Gionatan Di Batista,
Head of Sales of TMK Europe

I am becoming more and more convinced of the necessity of such meetings. This is the best way to find collective solutions to the various problems that we deal with every day. Moreover, this is a great opportunity to strengthen existing amicable relationships between the sales and production departments of our Division.

With regard to this particular meeting, our sales department was informed in detail on all changes in technology and production at our Romanian plants. In addition, we reached an agreement on a new procedure for submitting facilities' technical proposals to the sales department, as well as determined the tasks for next year. Our activities are not limited to pipe shipments from TMK facilities to customers; we also check all documents, control delivery of finished products, and verify our customers' final payment for products. And all this huge scope of work should be managed in a most impeccable way.

I hope that all the market information received from our sales departments and agents in Europe will be analyzed and presented to the Division management for review, who will in turn make the right decision on our future development. I am confident this will allow both the European Division and the entire TMK Group to always remain profitable.

Single Corporate Branding at TMK

Another important step has been taken at TMK to improve the level of product quality and service with the decision to apply a single corporate branding to the design of tubular products that are shipped to the company's customers. These requirements now apply to all facilities across the company.

The new regulations for packaging and shipment of pipe products that are being adopted by the company's facilities state that all protective components should use the corporate orange. This regulation applies to protective components for pipe threads and couplings (protectors), beveled pipe ends without threads (end caps), as well as elements used in packaging (support assemblies). In addition, the new rules call for the use of a single label accompanying pipe products that are shipped. The "tag" contains a unified list of information about the products, including their characteristics and information about the manufacturer, as well as TMK and plant logos.

According to Evgeny Shifrin, Director of the Technology Directorate at TMK, the new approach to product packaging is important because it gives products maximum protection during transport, as well as the most up-to-date presentation. The new corporate style of packaging pipe shipped to TMK's customers will provide an additional guarantee of secure delivery and will enable the company to gain additional marketing and logistics benefits.

The transition to a unified corporate system of packaging and shipping products across the company is a large-scale task and takes time to implement organizationally. The company's Russian facilities began to adopt the new practice in stages starting at the end of last year. A unified accompanying label is already in use everywhere. Packaging with corporate branding consisting of black pipe with orange protective components is currently being implemented.

One example of the new requirements' implementation can be found in the shipping unit at TAGMET's pipe-rolling mill. At the beginning of the year this unit held a display showing the first demo packaging of pipe using protective components that adhere to TMK's corporate branding. Specialists from Polimerprom, a company that manufactures protective components for pipe products that has long been a partner of TMK, organized delivery of the components used to assemble 168 mm diameter casing threaded with TMK FMC connections.

Two options for packaging products threaded with gas-tight premium connections were presented at TAGMET. The "standard" option involves a package with a support assembly (inserts for fixing pipe in place) and a metal strip with a lock. The "marine" option involves fixing the pipe with a support assembly and tie rods. To comply with TMK's new corporate packaging guidelines, Polimerprom made the demonstration using orange protective components. Reception at TAGMET was positive.

Distributors notice the ability to easily, quickly and accurately distinguish TMK products in pipe yards

"The appearance of the packaging, designed using TMK's black and orange colors, is impressive," said Boris Kovalev, head of the rolling division at TAGMET. "In addition to their high performance, customers value the aesthetics of the commercial products. Use of the support assemblies also has advantages. Due to the fact that the support assembly is a molded product and fixes pipe inside the packaging, it provides more complete protection from damage.»

Facilities at the company's American Division, TMK IPSCO, are also moving to the new practice of using orange packaging for shipments of pipe products. Two years ago, TMK IPSCO worked with its suppliers to develop orange thread protectors that are consistent with the company's branding. Since then, the thread protector market in the U.S. has gone through some major supply and demand challenges caused by the introduction of a more stringent 9th edition API specification involving impact testing. These changes meant slower production times, as well as supplier capacity constraints, which pushed out lead times to over 10 weeks for some sizes.

"Whenever possible, we try to order orange protectors, whether new or reconditioned," said Kevin Miller, Manager of Purchasing at TMK IPSCO. Last year TMK's Romanian facilities brought the packaging of pipe products in line with corporate standards. According to Valeru Mustata, Deputy Director of Commerce and Logistics at TMK-ARTROM and TMK-RESITA, TMK's label is placed directly beside the TMK-ARTROM plant logo and the barcode that provides traceability at all stages of production until the storage of finished goods. They also use orange caps and protectors; last year several suppliers were selected for these protective components. In addition, discussions are taking place concerning the use of orange fastening strips.

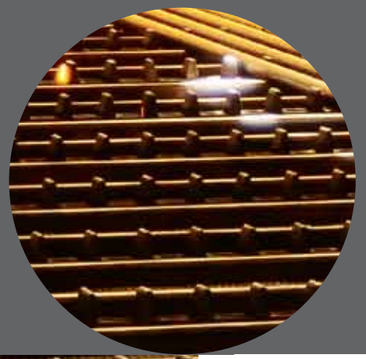
"In an increasingly competitive environment our customers have become more exacting, and the application of our corporate identity has brought us an additional advantage: distributors notice not only the high quality of our products but also the ability to easily, quickly and accurately distinguish them in pipe yards. All our actions should be focused on the primary goal of completely satisfying the ever-increasing needs of our customers," said Mustata.

According to Alexander Klachkov, Vice President and Chief Engineer of TMK, all deliveries of TMK products in Russia, America and Romania will be made in line with a single corporate standard in the second half of the year. The purpose and expected result of the program are extremely important: market recognition and the representation of TMK's global manufacturing facilities as part of a single company.

"Without a doubt, this task will increase the responsibility of each facility for product quality and compliance with customers' expectations," said Klachkov.

A Road without End

Quality is a road without end and a process of continuous improvement, believes Magdalena Popescu, Director of Quality, Health and Safety, and Environmental Protection at TMK's Romanian manufacturing facilities. She spoke with YourTube recently about how the company's European Division handles quality management and what is being done to increase the effectiveness of processes.



EFFECTIVENESS AND QUALITY MONITORING

At TMK-ARTROM and TMK-RESITA, we organize our work in accordance with the Corporate Quality Management System that was introduced at TMK in 2008. Monitoring covers all areas: technology efficiency monitoring, the effect errors have on production, customer satisfaction. We also aim to reduce industrial waste by using materials that do not harm the environment. At the same time, we aim to reduce industrial waste by using materials that do not harm the environment.

Twice a year, management conducts an analysis of quality indicators, which are compared with previous periods. In order to determine the effectiveness of the system, quality objectives and their implementation are regularly reviewed. We prefer to set a small number of tasks that will be done for certain and at the same time carry out continuous monitoring. Regular audits take place in all areas. We are committed to continuous improvement, so that the results of the processes are apparent, repeatable, and measurable. We are also committed to analyzing and eliminating adverse effects arising from production processes.

This year, we took things a step further. Whereas each of our facilities was included individually in the Corporate Quality Management System, we are now implementing the system at the level of the European Division. The need for unified coordination of quality at the divisional level became apparent to us since analysis and efforts to implement specific objectives provide valuable information to senior management. Thus, we are completing the process of coordinating various processes with financial statements that was begun two years ago. This activity is being tracked and analyzed at the level of European Division.

EQUIPMENT MATTERS

A sure way to maintain operations and remain competitive in the market is through efficient management of all processes, from planning production to controlling the quality of finished products and their shipment to the consumer. Customer requirements are

As a result of careful monitoring of billet quality, customer claims fundamentally decreased

constantly increasing. The quality control equipment acquired by TMK-ARTROM over the last year has met our expectations and has allowed the company to gain more opportunities and confidence in achieving the desired quality amid increasing production volumes.

Last year, we acquired an eddy current failure analyzer produced by Dr. Foerster GmbH to inspect pipe, as well as an installation for magnetic particle inspection manufactured by Proftechnic. To inspect small diameter pipe (from 21.3mm to 65mm) we use a cyclograph designed to detect longitudinal and transverse defects, as well as to identify buckles.

In the ASSEL shop we have started using two new magnetic particle inspection stations. These tools allow us to most effectively identify longitudinal, transverse or diagonal cracks that are located on the outer surface of the pipe.

For the mechanical research lab, equipment has been purchased to allow for inspection in accordance with the requirements of the most recent API 5CT oil and gas standards. A mobile SPECTROISORT spectrometer has also been purchased for more effective control of pipe in accordance with automotive industry requirements. With the new equipment it has been possible to detect and correct defects in the cold rolling shop or defects in mechanical and drill pipe. It has also become possible to meet the requirements of several customers for spectral control on 100 percent of the products supplied.

SOLVING AND PREVENTING PROBLEMS

We aim to maximize the elimination of problems in production, because it is unacceptable for us when the percentage of nonconforming products is above the norm. Ideally we would like to manufacture pipe without defects, subject them to inspection and ensure timely delivery to customers. This important task has contributed to a more careful analysis of the work done by personnel on production lines and the establishment of new control parameters in technological processes.

For example, systems to descale pipe have been introduced in the production flow, which improves the quality of pipe surface as well as aesthetic appearance. More stringent controls on the blooming mill at the heavy machine shop have also been set. Employees took additional training to work on the straightening machine. In order to improve the quality of grade 1340 or 1440 steel pipe, requirements were introduced to cut billets with the help of oxygen. All these actions were carried out last year, and this year, we will systematically evaluate how effective these decisions have been.

The effect of some improvement measures is already visible in the production of pipe for hydraulic cylinders. As a result of careful monitoring of billet quality, and also due to the correction of defects, customer claims decreased from the previous year.

To increase productivity and efficiency at TMK-RESITA, work to upgrade the ladle furnace will begin this year, which will optimize the plant's performance and increase the rate of heating metal to the required temperature.

The European Division is also working to harmonize information systems and operating procedures at the level of the manufacturing and sales units as another way of increasing efficiency. A better communications system for the units responsible for planning and sales is also being implemented.

COOPERATION WITH SUPPLIERS

Two years ago, we launched a campaign to evaluate raw materials suppliers and service providers. We concluded that an overall evaluation would not be enough, however, so we took it a step further. We carried out an evaluation of the conformity of suppliers' technical capabilities, which differs significantly from the methods that we used earlier. As a result, we have identified suppliers whose technical capabilities were limited and did not fully meet our requirements (for example, in heat treatment, radiation monitoring, post-warranty service and checking technological parameters of the manufacturing flow). This is how we came to the need to find alternatives.

To identify potentially dangerous, radioactive scrap metal entering TMK-RESITA and to keep it out of the manufacturing flow, two instruments to monitor radiation levels were installed at the plant. In the future, we intend to acquire an X-ray spectrometer for chemical analysis of ferroalloys, which will allow us to significantly accelerate the process of product acceptance and make a correct evaluation of the quality of the supplied material.

CONTINUOUS IMPROVEMENT

In recent years, customers have begun to impose more stringent requirements for product quality, so even a rejection of 100 kg of pipe can cause them serious concern. We strive to reduce the reject rate not only in manufacturing but also for customers. In such cases, we always analyze the causes of defects, as well as develop methods for improvement and corrective action. We do our best to make our work more effective.

To illustrate what we should strive for, I will tell a real story about a Japanese firm that is very familiar with ISO standards, as well as Six Sigma methodologies and Kaizen, which is based on continuous improvement of processes and quality. The firm, a manufacturer of electronic equipment, received an important order from a European company. Among other terms, the contract stipulated that the reject rate must not exceed 2 percent for finished goods. Upon accepting the order, the European company found a separately packaged bundle with a note reading: «Here is the 2 percent reject product you ordered. We don't know what application you'll find for this product, but we have made every effort to make it unfit for use, in accordance with your requirements.»

Quality is a road without end, a process of continuous improvement. Customers want a product with a certain level of quality, and after some time, they once again raise the bar and set higher standards. We have to adapt on the fly, to offer, to listen, and again improve and offer something better. But we have to be ready if we want to market not only high-end products but also obtain a high level of customer satisfaction. Quality management helps us to be competitive in the market.

First Lean Six Sigma Certificates

Seventeen executive managers of Lean Six Sigma improvement projects recently became the first individuals at TMK in Russia and Kazakhstan to obtain Black Belt. This event completed another stage in the development of a corporate improvement system. New groups of specialists are currently undergoing training and will then proceed to work on projects. The system's implementation continues.

TMK began creating a corporate improvement system based on Lean Six Sigma methodology in 2010. Earlier, in 2003, IPSCO facilities in North America began implementing a similar system. Acquisition of American plants allowed this experience to be shared with colleagues at TMK's Russian plants.

Lean Six Sigma methodology generalizes advanced experience acquired by leading global companies in the area of processes improvement, allowing for low-cost quality improvements to be made in manufacturing processes. It plays an important role in lowering product costs, increasing the reliability of technological processes, shortening the production cycle and ensuring guaranteed quality, including through the use of projects that do not require additional investment.

During the first stage of building the system in 2010, which involved cooperation with TMK IPSCO specialists, two pilot improvement projects were implemented in shops at Seversky Tube Works. The projects' goals were to decrease average defect levels and to cut the coefficient of metal consumption. Working on these projects allowed for set goals to be achieved, as well as actual economic effect from their implementation to be realized.

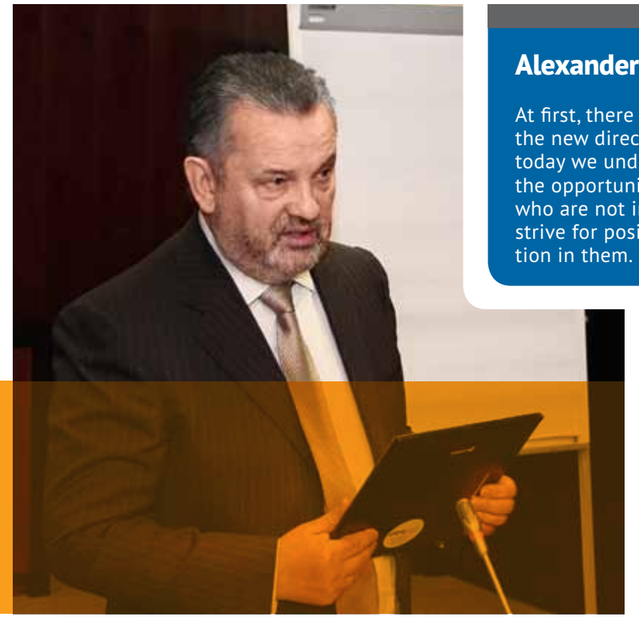
Group of the Black Belt included specialists from virtually all of TMK's Russian and Kazakh production facilities

Following the pilot projects, TMK decided to organize training for its specialists at the American Six Sigma Academy (SSA & Company). Seventeen executive managers would attend a theoretical course and take a qualification exam. Each of them would implement two improvement projects based on Lean Six Sigma methodology and present it to a committee at TMK.

Last fall, the first four managers completed this task and this year, during the spring session, the committee unanimously declared thirteen additional managers certified Six Sigma Black Belt. The group included specialists from virtually all of TMK's Russian and Kazakh production facilities.

"At first, there were doubts and even skepticism regarding the new direction of improvements at our facilities, but today we understand that it was the right decision," said Alexander Shiryaev, TMK CEO, mentioning that RUB 700 million (USD 22 million) in savings had been achieved as a result of the projects so far. "We gave the opportunity of self-realization to ambitious specialists who are not indifferent to the events at their facilities, who strive for positive changes and who seek active participation in them."

Black Belt will continue to manage the projects that they presented as TMK continues to implement the corporate improvement system. As Dennis Rayevsky, Head of TMK's Department for Certification of Quality Management System and Standardization, said, TMK will create a structure for corporate improvement at its facilities that will involve the presence of a mentor, certain top management members and a department that will be responsible for training specialists to use Lean Six Sigma methodology and implementing improvements on a regular basis.



Alexander Shiryaev, *TMK CEO*:

At first, there were doubts and even skepticism regarding the new direction of improvements at our facilities, but today we understand that it was the right decision. We gave the opportunity of self-realization to ambitious specialists who are not indifferent to the events at their facilities, who strive for positive changes and who seek active participation in them.

Alexander Shiryaev, TMK CEO, gave certificates to executive managers of improvement projects

Other specialists have started training at all of the company's Russian plants and are candidates to receive the Green Belt certificate, the first step toward mastering the Lean Six Sigma methodology. Groups are small, up to 18 people at each facility, and consist mainly of mid-level specialists. For example, at Seversky Tube Works, 16 specialists were selected for training from a number of lab employees of the plant's research center. The main task of the training is continuous production quality improvement. The candidates were also selected from among the machine shop managers, whose support is crucial for the lab employees to implement their know-how.

"This training allows us to discover promising specialists," noted Oleg Kireenok, Head of the Quality Department at Seversky Tube Works. "Those employees who strive for creativity in addition to fulfilling their direct responsibilities will be actively supported by our management. This will allow young specialists to show their full potential."

The training is conducted by a company called Prof-consult IMM (Professional Consulting. Institute of Modern Management) and includes several stages: 1) mastering the main principles of the corporate improvement system; 2) practical training on leading and developing projects; and 3) mastering the MiniTab system that uses software to process statistical data and determine the correlation of factors. In parallel, specialists are already starting work on projects, by completing preliminary studies and applying acquired knowledge. In order to obtain a Green Belt certificate, specialists must implement two improvement projects of their own, or one individual project and one sub-project that involve participation in a working group of Black Belt improvement projects.

Presentation of the projects implemented will take place in the fall at TMK's facilities. Successful completion of this "test" will allow the specialists to receive Green Belt certificates. At the end of the year, several specialists from each plant who led the most complex and economically effective projects will take part in project presentations in front of the committee at TMK's headquarters in Moscow. Depending on the results of the presentations, the best candidates will be recommended to complete Black Belt training in 2013.

Lean Six Sigma training, as well as development and implementation of improvement projects will also take place at TMK's European Division facilities. The company has signed an agreement with a European consulting company to provide training for specialists at the Romanian facilities.

Followers of Lean Six Sigma methodology believe that when it is used, there is always room for improvement. This applies to facilities with flawless technological processes and an exceptionally strong operations culture. During one of the project presentations, Mike Brown, Chief Expert on Lean Six Sigma implementation, noted, "We shouldn't blame production workers for not doing something earlier or for not noticing certain flaws in the production process. There are always losses in any production process, and there is always room for improvement."

Perfection has no limits. It is important that the continuous improvement implementation process is supported and incentivized by the company's management. According to Lyudmila Beltseva, Head of TMK's Quality Department, Lean Six Sigma training and project implementation will allow even more active and promising specialists to be discovered at the company's manufacturing facilities, and it will allow them to be involved in the improvement system, in the process of development and in the implementation of improvement projects. ■

Compliance Regulations

In June 2012, TMK became a member of the International Compliance Association, demonstrating the implementation of a compliance risk management system aimed at minimizing potential financial losses and reputational damage resulting from legal sanctions against the company.

PRE-CONDITION FOR PROPER GOVERNANCE

Corrupt practices happen even at the biggest and most well known corporations. Western companies have long understood that detecting, assessing, classifying and managing such risks requires a systematic approach. After all, in the event of non-compliance with legal requirements, responsibility could be assigned not only to the company in general, but to the company's management as well, leading to criminal charges.

The Compliance Risks Management Committee was created at TMK in March 2011. It includes six representatives from different departments: Security, Internal Audit, Human Resources, Legal and Risk Management. The Committee is headed by Alexander Valeyev, TMK's Vice President and Chief Economic Security Officer, with Vladimir Pribylovskiy, Director for Development and International Business Monitoring, serving as Committee Secretary.

"Compliance," said Alexander Valeyev, "means conformity not only to unofficial market regulations, but also to current laws at home and abroad. TMK is a global company, and its work in international markets requires it to comply with existing rules and procedures. Therefore, the implementation of the compliance system serves as a prerequisite for becoming a part of the properly governed business community."

Many companies are in the process of implementing a compliance system, as it represents an effective tool for managing compliance risks and avoiding adverse consequences. However, all employees are responsible for detecting and minimizing compliance risks, which means following certain work practices and observing both the spirit and the letter of the law.

HONESTY IS THE BEST POLICY

"Our work is aimed at making managers aware of their responsibility for methods used in achieving business goals," said Pribylovskiy. "Everyone understands that business activities in Asia, Africa or the former Soviet Union—regions that are not at the top of global anti-corruption rankings —could be performed differently, raising the issue of ethical behavior. There are many ways to conduct business; however, it is important not only to achieve one's goals but to do so in an ethical manner."

There are plenty of examples of globally renowned companies sustaining financial and reputational losses due to non-compliance with the law. Many people still remember the case of Daimler Corporation having to acknowledge bribing officials in 22 countries, including Russia. The scandal resulted in serious damage to the automaker's reputation and led to a fine of USD 185 million.

Last year, Tenaris Corporation found itself in the center of a bribery controversy surrounding the award of three contracts to supply pipes to Uzbekistan. The total profits of USD 4.5 million that were received by that company for these contracts have already been eclipsed by more than USD 10 million in fines.

PUBLIC OVERSIGHT

"The following areas have been designated as top-priority for the Compliance Risk Management Committee: fighting fraud, corruption and money laundering and ensuring conformity to antitrust laws," said Pribylovskiy. "It is also important to instill in our staff the understanding of being a part of a global company, since any actualization of risk will be felt by everyone."

The Code of Ethics adopted by TMK's Board of Directors is based on principles of honesty, legality, diligence, professionalism and transparency. In April 2012, the Code was amended to include policies on gifts, hospitality and charitable activities. Gifts must be appropriate so as not to be interpreted as any form of disguised bribery. The company's guests also should not feel obligated due to excessively warm hospitality.

Feedback constitutes a very important element of the compliance risk management system. The 'hotline' approach is the main tool for public oversight.

"Every employee should be able to report potential risks facing the company. The standard practice and attitude in the global business community is to approach any loss incurred by the Company as a personal loss for its employees," said Valeyev.

It should be noted that the "Big Four" international auditing firms (Pricewaterhouse Coopers, Deloitte, Ernst&Young and KPMG) consider having a hotline an essential element of corporate governance.

SPEAKING THE SAME LANGUAGE

Outreach activities, which started last year, constitute another area of the Committee's work. The Committee has already organized two rounds of training seminars at the company's plants and sales offices.

"The Compliance Risk Management Committee was created in part to summarize best practices and make them uniform throughout the company so that TMK employees, regardless of their country of residence, could speak the same language," said Pribylovskiy.

When work to create the compliance risk management system started in TMK's Russian Division, the American Division already had its own Code of Ethical Conduct. However, the corporate culture and existing legal requirements in the United States are somewhat different from those in Russia, so these had to be taken into account. For example, it is quite natural for a law-abiding American to immediately report to management any violation or potential conflict of interest, because if such a violation is uncovered by auditors, termination will become unavoidable as American employment law makes it easy to fire an employee quickly.

The next step in the development of the compliance risk management system is to create subcommittees at each TMK facility. This will allow the system to continuously improve and will make the company more transparent and open. ■

The Compliance Risk Management Committee has already organized two rounds of training seminars at the company's plants and sales offices

KEEPING TMK IPSCO'S STANDARDS HIGH

At TMK IPSCO, everyone has a duty to uphold the company's business conduct guidelines. When someone believes that they or someone they know is in violation, they have a duty to take appropriate actions. Employees are encouraged to speak with their direct supervisor or local human resources representative about violations, although they are always free to contact TMK IPSCO's General Counsel or any company vice president.

At times, however, employees may be uncomfortable reporting violations out of fear that it will damage relations with coworkers. For such situations, employees should always remember that they can call the company's toll-free, 24-hour ethics hotline at **1-877-556-5339** to report violations. All reports to this number are investigated fully, and employees who call remain completely anonymous.

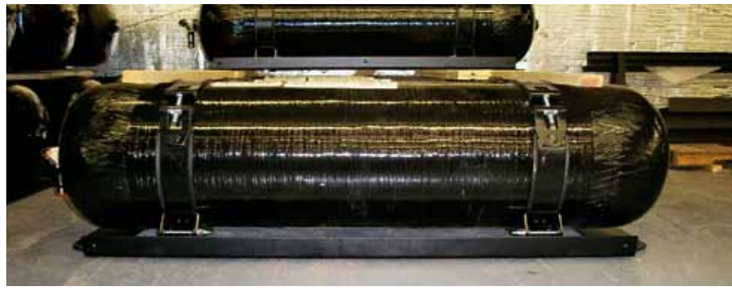
While not always easy, reporting violations ultimately protects you, your coworkers and the entire company!

Natural Gas Trucks to Make TMK IPSCO Fleet Cleaner, Less Costly

Each year, specialists in TMK IPSCO's Field Services divisions drive tens of thousands of miles to visit customers' drill sites. Fuel represents a sizeable operational expense for their fleet of light trucks, especially given the vehicles' modest fuel economy in comparison to light passenger cars.

"We'd eventually like to see natural gas used to fuel all TMK IPSCO vehicles"

Tom Fidler, Director of Continuous Improvement at TMK IPSCO



Tank for CNG

High gasoline and diesel prices are about to become less of a worry for TMK IPSCO. The company is currently implementing a project involving the purchase of new dual-fuel trucks and the conversion of existing trucks to compressed natural gas (CNG) fuel. A key factor in the decision to move ahead with this project is the reduced cost of CNG, which is often $1.00-1.50 cheaper than gasoline or diesel fuel on a per-unit basis. Depending on local fuel prices, the difference can mean a 25 percent to 50 percent savings.

"Although we'd eventually like to see natural gas used to fuel all TMK IPSCO vehicles, we're starting with the Field Services division because of the number of miles that the team drives," said Tom Fidler, Director of Continuous Improvement at TMK IPSCO and head of the cross-functional Sustainability Energy Team that is implementing the project. The team includes directors from the purchasing, quality, finance and safety departments, as well as the Field Services division.

TMK IPSCO currently has two Field Services divisions operating out of three locations. The Premium Field Services division, based at the company's facilities in Houston and Odessa, assists customers primarily with ULTRA™ Premium Connections—in supervising proper installation of ULTRA connections, as well as in performing visual thread inspections on location or at an outlying inspection facility or storage yard. Additionally, the company operates a Tubular Field Services division from the R&D Center in Houston.

"Both Field Services divisions travel extensively across the U.S. to ensure customer satisfaction," said Rusty Blue, Manager of Field Services, Tubular and Premium Connections at TMK IPSCO. "Each vehicle averages about 24,000 miles per year. These trucks are used to deliver running tools and accessories to rig locations, to carry measuring instruments to assist in determining whether or not our products meet specifications, as well as to deliver experts in the field to meet or exceed customer expectations."

The initial project envisions the purchase of 10 new trucks to be outfitted immediately with CNG conversion kits. Two relatively new trucks already in operation at TMK IPSCO may also be converted; older trucks or those above a certain mileage will not be converted

All converted trucks will be able to use gasoline or diesel as well as CNG

given their limited service life and project payback considerations. All converted trucks will feature dual-fuel systems, which involves leaving the main gasoline or diesel tank in place and adding a tank for CNG in the truck's bed. This system increases the trucks' overall fuel capacity and ensures that they remain operational in remote areas that are not covered well by CNG filling stations.

With the purchase of the trucks and conversion kits slated for this summer, Fidler is optimistic that the project will meet its goals: to operate a more environmentally friendly fleet, ensure conversion cost recovery, and take full advantage of potential fuel cost savings in the future. He is also hopeful that the team will find numerous opportunities for other equipment conversions at TMK IPSCO's facilities.

"Based on a unit savings of $1, we're estimating that these vehicles and conversion kits will pay for themselves in 15-18 months; anything beyond that will be additional savings. Furthermore, the tanks we are using are reusable, which means we can keep them when we trade the vehicles in for new ones. This lowers our conversion cost on trade-ins by 30 percent," said Fidler. "In addition to trucks at other facilities, we're also looking at a longer-term project that would expand conversions to fork lifts and other pipe-moving equipment. We still need to investigate possible power loss from converting to CNG, but our initial research shows that fuel cost savings could be significant."

"This project has the potential to be huge," said Piotr Galitzine, Chairman of TMK IPSCO. "While our fleet is relatively small and manageable, it's still very interesting from the point of view of direct costs. Furthermore, it's interesting from a public and corporate relations standpoint in that it helps us to point the way forward for more and smarter applications of the bountiful natural gas production taking place in the U.S."

The conversion of vehicles to CNG is particularly interesting in the U.S. given the fact that large truck fleets typically run on diesel fuel, which depending on the state is even more expensive than gasoline when taxes are taken into account. When combined with abundant and inexpensive natural gas, avoidance of diesel taxes makes the potential savings from CNG conversion even greater.

"The mileage driven by the US truck and passenger car fleet is staggering—on the order of 3 trillion miles per year," said Galitzine. "This project makes sense to the fleet owners and operators, to the natural gas industry, and to companies like TMK IPSCO that will sell more pipe to the gas producers. Finally, it makes sense for the environment and the planet at large." ■

A key factor in the decision to move ahead with this project is the reduced cost of CNG

TMK IPSCO Celebrates Russia Day 2012

On June 14, TMK IPSCO leaders gathered with Chicago community leaders to celebrate Russia Day 2012.

The black tie gala took place at the prestigious Chicago Cultural Center, in the heart of downtown Chicago and across the street from the city's famed Millennium Park.

The event was presented by the Moscow Committee of the Chicago Sister Cities International organization, a group dedicated to building bridges between the people of Chicago and international neighbors to achieve greater mutual understanding and to strengthen civic, economic and cultural ties.

Chicago and Moscow have been sister cities since 1997, so 2012 marked both the 15th anniversary of the sisterhood as well as Russia Day.

TMK IPSCO Chairman Piotr Galitzine, who is also a chair for the Sister Cities' Moscow Committee, spoke to the crowd of local leaders in attendance, including Ambassador Sergey Kislyak, Russian Ambassador to the U.S., and Consuls Brian Herman of Canada, Carmen Fontes of Spain and Serhiy Koledov of Ukraine.

"We invite you to celebrate Russia's birthday tonight," said Galitzine. "Russian industry and society has a number of achievements to its credit, such as growing the country's GDP from 19th place to seventh place in world rankings in the last 10 years. On this, its 21st birthday, we celebrate Russia's coming of age."

Guests at the gala were treated to a traditional Russian feast of smoked fish and caviar, followed by performances from Chicago artists, including the Campanella Children's Choir, Lyric Opera of Chicago, the Joffrey Ballet, and the Chicago Master Singers.

Other Chicago events recognizing Russia Day included a day of Russian music on a local radio station, a forum on green initiatives in Russia and the U.S., and a Russian language storytime celebration for children. ■

TMK IPSCO Chairman Piotr Galitzine, Ambassador Sergey Kislyak and Aleksandra Efimova, Co-Chair of the Moscow Committee of Chicago Sister Cities International

Trade House TMK (Head Office), Moscow
40-2a, Pokrovka Str.,
Moscow 105062, Russia
Tel: +7 (495) 775 7600
Tel/Fax: +7 (495) 775 7602
E-mail: tmk@tmk-group.com

Trade House TMK, Volzhsky
6, Avtodoroga 7 Str., Volzhskiy, Volgograd region, 404119, Russia
Tel: +7 (8443) 22-27-77, 55-18-29
Tel/Fax: +7 (8443) 25-35-57

Trade House TMK, Polevskoy
7, Vershinina Str., Polevskoy,
the Sverdlovsk region, 623388, Russia
Tel: +7 (34350) 3-21-05, 3-32-75
Tel/Fax: +7 (34350) 3-56-98

Trade House TMK, Kamensk-Uralsky
1, Zavodskoi proezd Rd., Kamensk-Ural'skiy,
Sverdlovsk region, 623401, Russia
Tel: +7 (3439) 36-37-19, 36-30-01
Tel/Fax: +7 (3439) 36-35-59

Trade House TMK, Taganrog
1, Zavodskay Str., Taganrog,
Rostov region, 347928, Russia
Tel: +7 (8634) 65-03-58, (8634) 32-42-02
Tel/Fax: +7 (8634) 32-42-08

Trade House TMK, Azerbaijan
22, Karabakha Str., Baku, AZ1008,
Azerbaijan
Tel/Fax: + 994 (12) 496-19-18
E-mail: baku@tmk-group.com

Trade House TMK, Turkmenistan
29, Arshabil chaeli Str., "Nebitshi" hotel,
1939, Ashgabat, Turkmenistan
Tel/Fax: +993 (12) 48-87-98
E-mail: ashgabat@tmk-group.com

Trade House TMK, Uzbekistan
24, Oybek koch, Tashkent sh.,
Uzbekiston, 100015
Tel./Fax: +998 71 281-46-13,
+998 71 281-46-14
E-mail: Uzbekistan@tmk-group.com

TOO TMK-Kazakhstan
38/1, office # 5, Zheltocsan Str., Astana,
010000, Kazakhstan
Tel/Fax: +7 (7172) 31-56-08, 31-08-02
E-mail: info@tmck.kz

Trade House TMK, China
APT19 I, NO.48 Dongzhimenwai Str.,
Dongcheng District, Beijing,
China ZIP. 100027
Tel: +86 (10) 84-54-95-81,
+86 (10) 84-54-95-82
Tel/Fax: +86 (10) 84-54-95-80
E-mail: beijing@tmk-group.com

Trade House TMK, Singapore
10 Anson Road #33-06A International
Plaza, Singapore 079903
Tel: +65 (622) 33-015
Tel/Fax: +65 (622) 33-512
E-mail: singapore@tmk-group.com

Trade House TMK, South Africa
1st Floor, Convention Tower, Cnr.
Heerengracht Str. & Coen Steytler Ave.
Foreshore, Cape Town 8001, South Africa
Tel: + 27 21 403-63-78
Tel/Fax: + 27 21 403-63-01
E-mail: info@tmkafrica.com

TMK Global AG
2, Bldv. Du Theatre, CH-1211 Geneva, CP
5019, Switzerland
Tel: +41 (22) 818-64-66
Fax: + 41 (22) 818-64-60
E-mail: info@tmk-global.net

TMK Europe GmbH
Immermannstraße 65 c, 40210
Düsseldorf, Germany
Tel: +49 (0) 211/91348830
Fax: +49 (0) 211/15983882
E-mail: info@tmk-europe.eu

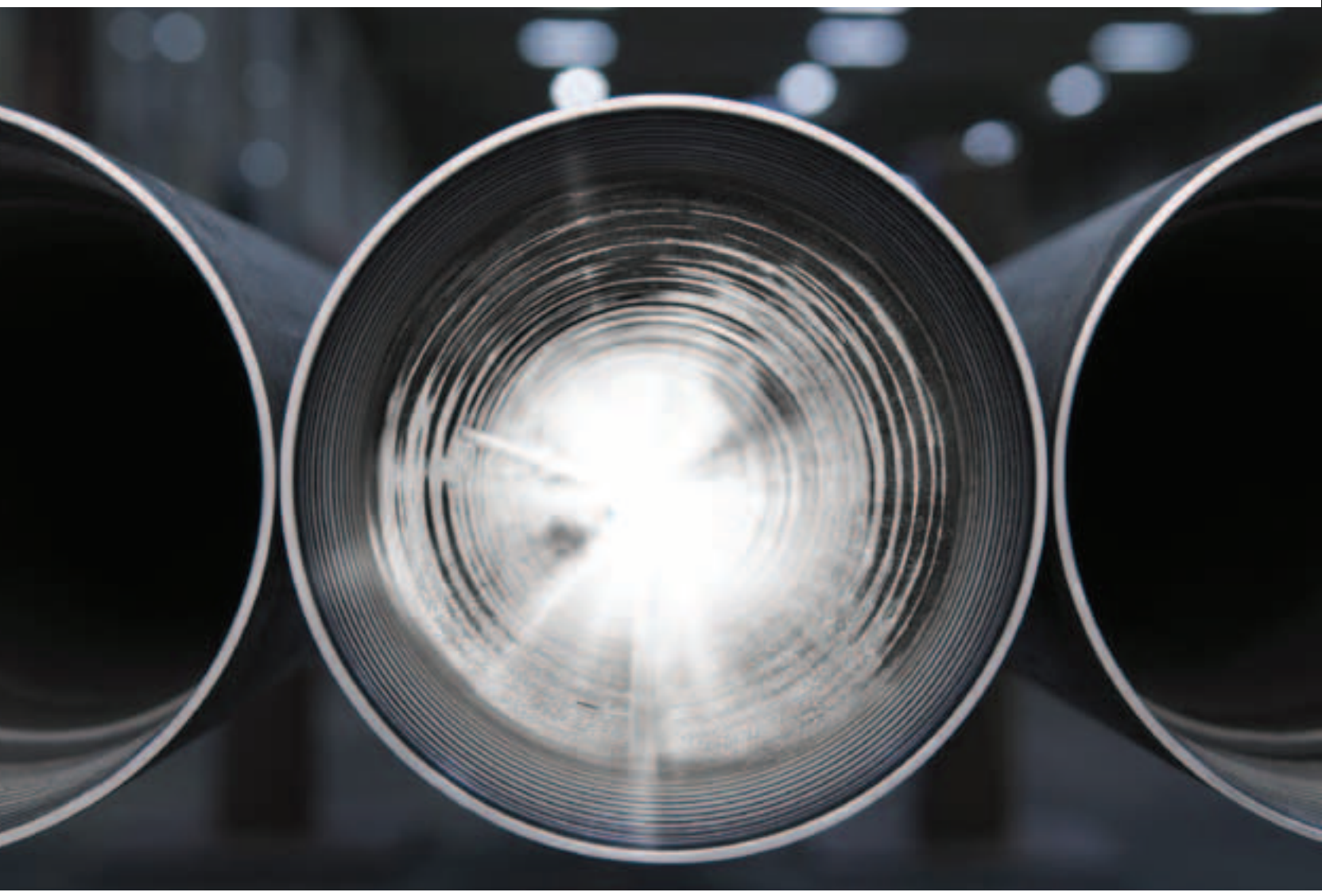
TMK Italia s.r.l.
Piazza degli Affari, 12, 23900 Lecco, Italy
Tel/Fax: +39 (0341) 36-51-51,
+39 (0341) 36-00-44
E-mail: info@tmk-italia.eu

TMK Middle East
P.O. Box 293534 Office 118, Block 5EA,
Dubai Airport Free Zone
Dubai, United Arab Emirates
Tel: +971 (4) 609-11-30
Fax: +971 (4) 609-11-40

TMK IPSCO
2650 Warrenville Road, Suite 700
Downers Grove, IL 60515, USA
Tel: +1 (630) 874-0078
Fax: +1 (630) 874-6431
Toll Free: 1-866-654-0078
(U.S. and Canada)

TMK IPSCO U.S. Sales Office and Research & Development Center
10120 Houston Oaks Drive
Houston, TX 77064
Tel: +1 (281) 949-10-23,
Fax: +1 (281) 445-40-40

TMK IPSCO Canada Sales Office
150 6th Avenue SW #3000
Calgary, AB T2P 3Y7
Tel: +1 403-538-2182
Fax: +1 403-538-2183



Single Source

In the extreme conditions defining today's exploration, production and transmission landscape, only an elite few have the capability to truly offer a single source for energy tubular solutions. At TMK, we produce one of the industry's most comprehensive lines of energy tubulars, including OCTG, premium connections and line pipe. We support these products with an extensive team of technical experts dedicated to meeting the evolving and challenging needs of the oil and gas industry. So whether your project is in shale, oil sands or deepwater, make TMK your first and only call for tubular innovation, quality, value and service.

Tel: 888.258.2000