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Services for U.S.
Oilfields

18 TMK IPSCO Launches
Values Recognition
Program



TMK NGS
Becomes
Full-Service
Option for
Oil & Gas
Customers
Worldwide

Expanding Oilfield Services Worldwide



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NEWS



»» VOLZHISKY PLANT PRODUCES PIPE FOR DRUZHBA REFINISHMENT

TMK's Volzhsky Pipe Plant recently fabricated large-diameter pipe used for reconstructing the Druzhba trunk oil pipeline, the main oil transport artery from the Volga-Urals oil and gas region to the nations of eastern Europe. The pipeline stretches more than 6,000 km.

For the project, TMK produced 1,020-mm diameter, class K 52-1 pipe fabricated according to specifications requiring the precise removal of the inner and outer reinforcements on the pipe ends. The inner surfaces were then shot-blasted, and a three-layer, anti-corrosion coating was applied. Future work for the pipeline project will include production of another 20 standard sizes of pipe at the Volzhsky plant.

»» NEW PIPE COATING TESTED

Volzhsky Pipe Plant employees successfully tested a new coating that meets current criteria for insulating materials.

Tests of the smooth internal anti-corrosion coating were conducted on a batch of 1,220-mm diameter pipe with wall thickness of 17.5 mm. The coating was made by one of the world's leading coating manufacturers.

Future plans for the Volzhsky Pipe Plant include obtaining DNV certification for products and processes associated with coating applications in oil and gas transportation projects.



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»» TMK LEADERS PARTICIPATE IN METALLURGICAL SUMMIT

TMK leaders recently participated in an international metallurgical summit entitled "Russian Steel and the Global Market: A Look at the Future." Discussions centered on industry changes related to more Russian companies becoming transnational and Russia's entry into the World Trade Organization last year.

Among the presenters, Sergei Papin, a member of TMK's board of directors and chairman of the Russkaya Stal Management Committee, reported on the current state of the Russian metallurgical industry. He said to expect increased competition, anti-dumping investigations and a reduction in steel exports and raw material consumption. He also said an increase in products from Ukraine, Kazakhstan and China on the Russian market is likely.

Other TMK presenters included: Dmitriy Pumpyanskiy, chairman of TMK's board of directors; Sergei Alekseev, TMK marketing director; and Yevgeniy Shifrin, TMK technology department director.



»» TMK EXHIBITS FEATURE HIGH-TECH PRODUCTS AT KEY TRADE CONFERENCES

TMK recently showcased several products at two key industry events – the Society of Petroleum Engineers (SPE) Offshore Europe 2013, held Sept. 3-6 in Aberdeen, Scotland, and INNOPROM Industrial Trade Fair, held July 11-14 in Yekaterinburg, Russia.

SPE Offshore Europe is the largest upstream oil and gas event outside North America. More than 63,000 people attended the bi-annual, four-day event with a record-breaking 1,500 organizations exhibiting in the six halls. The TMK exhibit featured hermetic metal-to-metal sealed, premium threaded connectors and provided company representatives from Russia and the U.S. a platform for initiating discussions with conference attendees.

Dmitriy Pumpyanskiy, chairman of TMK's board of directors, moderated a round-table discussion entitled "Training Workers in the Field of Technical Regulation."

»» TMK ESTABLISHES SCHOLARSHIP HONORING INDUSTRY LEADER

TMK recently established a scholarship at the MISiS National Technological Research University in Moscow in the name of Alexander Dmitriyevich Deyneko, honored metallurgist from the Russian Federation and director of the Tubular Industry Development Fund from 2003 to 2013. The scholarship will support students in the university's Tubular Production Technology and Equipment Department.

"As one of the world leaders in the tubulars industry, supporting talented young students is important to TMK," said TMK Senior Vice President Andrey Kaplunov. "Our programs help prepare future employees and develop them based on the actual needs of modern high-tech production."



»» RESULTS OF TMK OPERATIONS FOR FIRST HALF OF 2013

TMK's financial and operational performance for the first half of 2013 remains steady compared to 2012.

Shipments of large-diameter pipe increased 11 percent as a result of TMK's support of a construction project on the Russian section of the Southern Corridor and an increase of deliveries to Commonwealth of Independent State (CIS) nations.

The Russian Division boosted shipments of seamless and welded line pipe due to increased volumes of oil and gas being transported to storage and processing locations. Meanwhile, industrial pipe shipments dropped as a result of a decrease in market capacity.

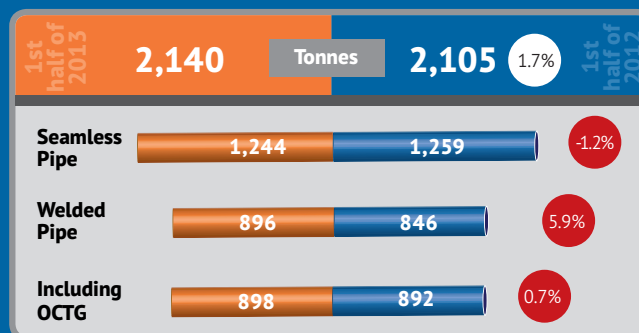
The American Division shipped 554,000 metric tonnes of products, 3 percent below the first half of 2012. However, Premium Threaded Connections shipments increased by 12 percent.

Due to deteriorating economic and market conditions in Europe, the European Division shipped 78,000 tonnes of tubulars in the first half of the year – a 4 percent decrease.

Demand for TMK Premium Connections continued to rise. In the first half of 2013, TMK shipped 370,000 units – a 22 percent increase from the same period in 2012.

Financial results (millions of dollars)			
	1st half of 2013	1st half of 2012	Change (%)
REVENUE	3,374	3,439	-2
NET PROFIT	125	182	-31
CORRECTED EBITDA	523	575	-9
PROFIT ACCORDING TO CORRECTED EBITDA (%)	15	17	

Tubular product shipments (thousands of metric tonnes)



TMK NGS BECOMES FULL-SERVICE OPTION FOR OIL & GAS CUSTOMERS WORLDWIDE



With technologies advancing rapidly, it is not enough to make quality products. Helping customers maximize use of those products is critical. Offering products, service and post-service supervision in one package was a primary goal in creating the TMK Oil and Gas Field Service Division (TMK NGS).

Sergei Bilan, TMK NGS general director for premium products and oilfield service, gives an inside look at the division.

How does the Oil and Gas Field Service Division fit into the structure of TMK?

TMK developed its Oil and Gas Field Service Division in response to a growing industry challenge – there is less “easy oil” in the world, with many oilfields already pumped dry or close to it. To increase hydrocarbon production, companies can either drill new wells or develop hard-to-reach formations. Both options are driving demand for high-tech products with special features and the creation of a service market.

TMK originally focused on producing innovative products, introducing breakthroughs into the production line and making products to replace imports. However, progressing without providing customer service was difficult. We can produce state-of-the-art products that meet all international standards, but there is always the risk that they will be used incorrectly and key features will

remain unutilized. Uniting company and customer interests through service is the final stage in creating our product.

How are TMK’s product service operations set up in Russia?

To manage service for premium connections, TMK NGS works with TMK Premium Service and collaborates on orders with Trade House TMK. We work in cooperation with TMK plants. They deliver pipe products, then we cut threads, apply coatings and perform additional service operations.

For manufacturing technology and sales, we work with TMK’s Russian and American divisions. For instance, we are licensed to cut threaded connections developed by the American division on Russian pipe. That allows us to manufacture products with the ULTRA threads without transporting long distances.



⌘ TMK NGS-Buzuluk tubing repair shop

Is developing premium product lines a priority for TMK NGS?

TMK is a major player in the premium segment. In 2011, we began producing ULTRA Premium Threaded Connections at our Orsk Machine Building Plant (OMZ). The first batches of pipe with ULTRA-FJ threads – which were new to the Russian market – were shipped to Gazprom and Lukoil.

Then, we began producing pipe string components with Premium threads at our Buzuluk facility, which later was licensed to cut ULTRA threads. TMK NGS-Buzuluk has new equipment, and once it becomes licensed, opportunities for cooperation within the division will expand significantly.

Can you comment on TMK's acquisition of the oilfield service assets of ITS Tubular Services in the U.S.?

The U.S. pipe market is the biggest and one of the most attractive in the world, especially considering the wealth of shale drilling, where ULTRA pipe is widely used. Our Houston-based enterprise Oil Field Services International (OFSi) can produce more than 700,000 threaded pipe connections and about 250,000 couplings per year. It also offers pipe inspection services, and produces numerous types of downhole equipment widely used in the industry. (See related story, page 6)

TMK does business globally, producing pipe on different continents and delivering to 80 countries. Establishing OFSi in the U.S. goes hand in hand with our efforts to strengthen the integration of our pipe and oilfield service assets and to satisfy our clients' demand for oilfield services.



⌘ Running pipe string at Orenburgneft field

What changes have taken place recently at TMK NGS enterprises?

We have established repair shops and manufacturing facilities for new products. For example, we launched production of 73-mm, 89-mm and 48-mm tubing pipe in Nizhnevartovsk and Buzuluk. This allows us to maintain or increase TMK's market share. At TMK NGS-Nizhnevartovsk, we opened an internal pipe-coating department.

OMZ installed a hydropress for casing pipe production and set up a heat treatment furnace for tool joints. Truboplast introduced a heatproofing and waterproofing section, and launched a production floor for applying coating to fasteners and valve components. (See related story, page 12)

What do you see in the future for TMK NGS?

We have three objectives going forward: to expand our presence worldwide; to enhance our capabilities and range of services; and to increase overall efficiency. We have the necessary experience, knowledge and equipment. Our customers trust us, and we will strive to maintain that trust. ■

“Our priority is developing new services.”

OFSi STRENGTHENS SERVICES FOR U.S. OILFIELDS

In April 2013, OFS International LLC (OFSi), a subsidiary of TMK, acquired oilfield service assets in Houston that used to belong to the ITS group. OFSi President and CEO Konstantin Semerikov talks about how strengthening the oilfield service line benefits the company and its clients.



OFS INTERNATIONAL LLC IS A SUBSIDIARY OF TMK, REGISTERED IN OCTOBER 2012 AND OPERATIONAL SINCE APRIL 2013.

HEADQUARTERS: HOUSTON

PERSONNEL: ABOUT 200

COMPANY MANAGEMENT: KONSTANTIN SEMERIKOV, PRESIDENT AND CEO

Why is TMK interested in these new oilfield service assets?

With these assets, TMK gains expertise and access to new segments of the U.S. market, such as coupling production and pipe inspection services. This acquisition represents an important step in developing our oilfield service line of business. It will make us more vertically integrated and strengthen our competitive advantages. It will also help us build a more attractive offering in terms of linking products and services for oil and gas companies.

Will you have to invest in the development of new capabilities?

We acquired an operational, profitable business, including management and production personnel, a portfolio of orders, a history and a market position. Most of the equipment we acquired was commissioned three or four years ago. To maintain the current level of production, no additional investments are needed. However, OFSi plans to enhance production of couplings, fishing tools and accessories, and to expand warehouse space. That will require a minor additional investment.



OFSi's service assets in Texas are located on 84 acres in northeast Houston. Specializations: pipe production, pipe threading and repair services; pipe inspection (including electromagnetic inspection); production of couplings, accessories and drilling equipment; warehousing and logistical supervision of pipe products.



Oil production has grown by 15 percent in the last decade, while expenditures in the oil and gas services sector have more than quadrupled. This is because production conditions and drilling methods have become substantially more complex, and requirements for quality and safety of products and technologies have gotten more stringent. Clients are demanding more service and customer care.

Some of the oilfield service features in OFSi's portfolio, including pipe inspection under the Independent Inspection Services brand, are new to the company. What lies ahead in that direction?

When using pipe for oil and gas drilling and production, the buyer often requests that pipe inspection be done by an independent company. As part of this deal, we acquired Independent Inspection Services LLC (IIS), which is already successfully operating in the pipe inspection market. Completely independent of the other assets we acquired, it offers pipe inspection services for TMK IPSCO and other companies. IIS has the capacity, expertise and trained personnel to perform full-length electromagnetic inspection of casing and tubing, both threaded and plain-end, and to check wall thickness and grade.

How do you plan to develop the oilfield service line in the U.S.? And who are your key clients?

OFSi will provide oilfield services to existing clients who are TMK pipe consumers, including Shell, ExxonMobil and Anadarko. TMK businesses can provide production and delivery of a full line of pipe products for well construction and hydrocarbon transport, including high-tech products for horizontal shale oil wells. However, as product technical specifications grow more complex, buyers need more supervision and support to run pipe downhole. OFSi plans to develop oilfield services along the entire chain of pipe usage, from warehouse services to preparing the pipe, supervising the run and running the pipe downhole. Supervising the entire

process allows us to solve logistical problems and assure quality and performance of any engineering solution involving TMK products.

Second, we will produce and deliver drilling equipment used for well construction and repair. These are crossovers, accessories and fishing tools. We are also ready to make more complex types of products, such as drilling jars and whipstocks, which are used in new types of shale oil and gas production and horizontal drilling of offshore and onshore fields.

What niche does OFSi hope to fit into on the American market?

We are targeting drilling products and services, well completion and stimulation, hydrocarbon production and well services. The oilfield services market worldwide is estimated to be more than \$100 billion. By comparison, the worldwide OCTG market is about \$18 billion. So the growth potential is great.

OFSi plans to become an independent supplier of services for pipe companies and oil and gas companies on the U.S. market. The transition from only selling pipe products to offering a full line of well usage and on-site well products and services will allow us to establish direct relationships with customers, meet necessary requirements in terms of quality and deadlines and reduce expenses related to inadequate order fulfillment and incorrect usage of pipe. ■

TMK's New Middle East Division Gains Market Share in Oil-Rich Region

Last March, TMK opened a Middle East Division to gain a foothold in one of the world's key oil-and-gas-producing regions. This global network of centers for production and repair of tubular products enables TMK to be geographically closer to many of its main corporate clients and better meet their requirements related to product manufacturing and services.



“The Persian Gulf and North Africa are two of the largest centers of oil production in the world,” said Middle East Division Director Kirill Marchenko. “The Middle East Division makes it possible to focus on regional needs and more efficiently provide customers with modern high-tech tubular products, whether manufactured within the Persian Gulf or from our other facilities throughout the world.”

TMK's Middle East business has expanded in stages. The distributor TMK Middle East was launched seven years ago in Dubai, where most of the world's sector giants have a presence. Today, TMK's tubular products hold 15 percent of this challenging market. The company's stable position in the Middle East and North Africa (MENA) has made TMK's offerings more attractive for customers in the U.S. and Europe.

The successful launch of the distributor led to a second production branch in the region. Last December, TMK acquired a controlling share in Gulf International Pipe Industry LLC (GIPI) in the Sultanate of Oman. Known as TMK GIPI, the plant can produce 250,000 metric tonnes of tubular products per year. Thanks to shareholder agreements, TMK will manage and integrate the plant into its global production and sales network. The purchase strengthened TMK's position in MENA and the U.S.

The third stage involved contracting EMDAD, one of the largest oil service companies in MENA and a TMK dealer, to construct a service center for pipe repair and pipe threading in Abu Dhabi. Threading and Mechanical Key Premium LLC produces approximately 10,000 tonnes of premium tubular products per year.

According to Marchenko, TMK's three-tiered production and sales complex in MENA “covers all potential needs for tubular

products and associated operational services of clients in this region. A client can obtain any pipe produced by the company, apply protective coatings and thread and repair pipe. The proximity of the production and service sites to each other and to global ports yields a synergetic effect.”

The TMK Middle East Division is already yielding tangible results, including:

- In 2012, TMK GIPI delivered approximately 22,000 tonnes of pipe with anti-corrosion coating to the largest oil companies in the region, including Petroleum Development Oman and Oman Oil Exploration and Production. It also produced 2,000 tonnes of welded pipe for the underwater pipeline on Musandam Island.
- TMK delivered the first lot of class K55 welded casing to Petroleum Development Oman. Successful operation of the casing resulted in TMK GIPI receiving new welded casing contracts for oil and gas companies in Oman.
- Export sales have expanded, with approximately 9,000 tonnes of tubular products now being shipped to the U.S.
- TMK GIPI received a “first-class” vendor status from Microalloying, one of the U.S.' largest technical auditing companies.

Expansion of TMK's business in MENA will require increasing market share. Division management plans to increase delivery volume of welded line pipe and casing, thereby boosting production at TMK GIPI. The plant will also broaden manufacturing of premium-class products, as well as expand its product delivery within the MENA region, the U.S. and Latin America. ■

»»» THE MIDDLE EAST DIVISION INCLUDES:

TRADE HOUSE TMK MIDDLE EAST (DUBAI)

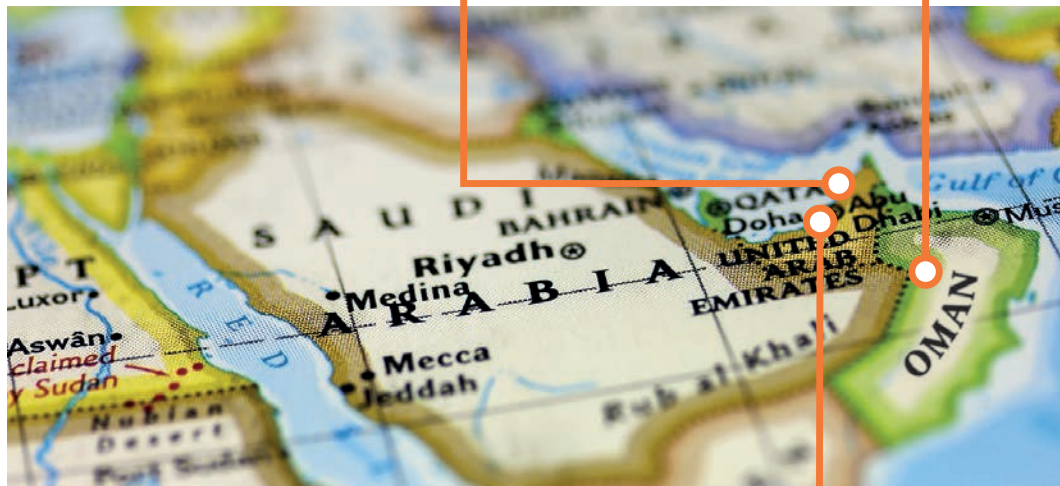
Oversees product sales from TMK Russian plants, the TMK Artrom plant (Romania) and the TMK GIPI plant (Oman) in the Middle East and North Africa.

TMK GIPI PLANT (OMAN)

Produces and delivers welded casing and line pipe including those with external and internal coating to the market in Oman and the Middle East.

Kirill Marchenko, Director of Middle East Division:

"The primary objectives of the Middle East Division are to bring TMK facilities in the region closer to key customers and to improve management efficiency of these facilities to achieve maximum profit."



SERVICE CENTER THREADING AND MECHANICAL KEY PREMIUM LLC (ABU DHABI)

Responsible for threading pipe, couplings and accessories with TMK Premium Connections; repairing pipe, connections and accessories supporting TMK participation in oil and gas companies' tenders.

»»» ADCO

The Abu Dhabi Company for Offshore Oil Operations (ADCO) declared the Volzhsky Pipe Plant an approved vendor of threaded pipe with TMK PF Premium Connections. ADCO is one of the largest oil and gas companies in the Middle East, operating in onshore and offshore waters of Abu Dhabi.

TMK delivered the first order of casing with premium connections produced by the Volzhsky Pipe Plant to ADCO in 2012. The delivery included 7-inch (177.8 mm) diameter casing with TMK PF threading, which were used in three different wells. TMK PF Premium Connections were qualified for further use in ADCO fields after successful pipe string running.

The approved vendor status expands TMK's ability to bid on projects with ADCO, companies within the Abu Dhabi National Oil Company (ADNOC) group and other regional and international oil and gas companies operating in the Middle East.

In addition to this notice, TMK was notified that casing with TMK PF Premium Connections passed qualification by the state-run oil company of India, Oil and Natural Gas Corporation Limited (ONGC).

»»» ONGC

India's state-run oil company, ONGC, called upon TMK to provide pipe for two offshore pipelines that will expand hydrocarbon production in the Mumbai High field, located in the Arabian Sea. The Volzhsky Pipe Plant produced and shipped 3,500 metric tonnes of 273.1 and 323.9 mm diameter line pipe of class X60QS to the project contractor, Leighton Welspun.

TMK has produced oil and gas line pipe for ONGC for years. Between 2011 and 2012, TMK delivered more than 20,000 tonnes of X60 pipe to India for construction of offshore pipelines at depths ranging from 70 to 90 meters. TMK has submitted an application to deliver pipe for other ONGC offshore pipelines, including deepwater projects at depths down to 500 meters.

TMK GROWS ITS PRESENCE IN RISING **CENTRAL AND SOUTH AFRICAN MARKETS**

Central and South Africa's oil reserves are estimated at 135 billion barrels, or 12 percent of global oil reserves, while gas reserves exceed 16 trillion cubic meters. Development of these reserves is attracting investors from around the world, especially in Kenya, Tanzania and Mozambique.

These reserves are being recovered using drilling technologies such as hydraulic fracturing and directional drilling. As a result, regional demand for production equipment, including high-tech tubular products, is high – 18 million metric tonnes of welded pipe and 8.5 million tonnes of seamless pipe are needed by 2020.

Seeing the growth opportunity, TMK opened a commercial office in Cape Town, in the Republic of South Africa, in 2010. Known as Trade House TMK, the office became a starting point for TMK's advancement into the tubular products market in this region.

Trade House TMK primarily delivers casing and production tubing to the market. Customers include independent oil and gas companies, and the primary targets are Shell, Total, ExxonMobil, Chevron, SAIPEM, Anadarko and others.

Three staff members work in the office: Managing Director Patrick Gonzales, Senior Sales and Marketing Manager Femi Daramola and Office Manager and Customer Relations Manager Larisa Kalinka. Collectively, they promote TMK products and expand a network of regional agents. The team also qualifies companies seeking to be licensed vendors for production and service of TMK Premium Connections.

"Our company is small for such a large market, but we have been able to achieve some success in the last couple of years," said Gonzales. "We have made the TMK brand and its products known, which improved the effectiveness of our tender and commercial operations. The work done at TMK related to product quality makes it possible to gain even more commercial success in the future."

Other accomplishments include:

- In 2012, the office signed its first contract for delivery of tubular products with TMK FMT Premium Threaded Connections in Central and South Africa. Matpatson Petroleum Services Ltd. in Nigeria purchased production tubing produced by the Sinarsky Pipe Plant.
- The commercial office signed licensing agreements in Ghana and Nigeria.
- Company agents are now working in Ghana, Equatorial Guinea, Cameroon, Mozambique and Kenya, promoting and supporting TMK product sales in their territories.

Analysts believe the importance of the African market will increase in the near future. Therefore, it is promising that TMK has established a presence in this strategically important region at the right time. ■





»»» TABLE MOUNTAIN, CAPE TOWN

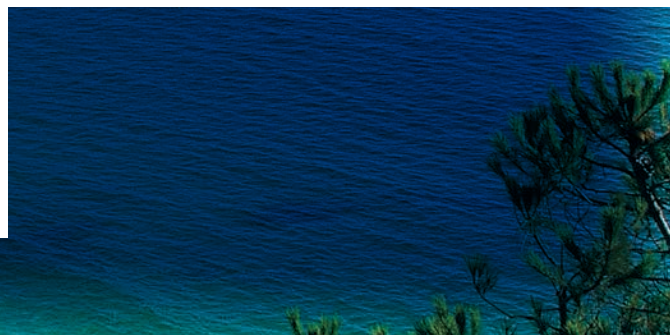
The commercial office is located not far from Table Mountain, a symbol of Cape Town and tourist attraction in the Republic of South Africa.

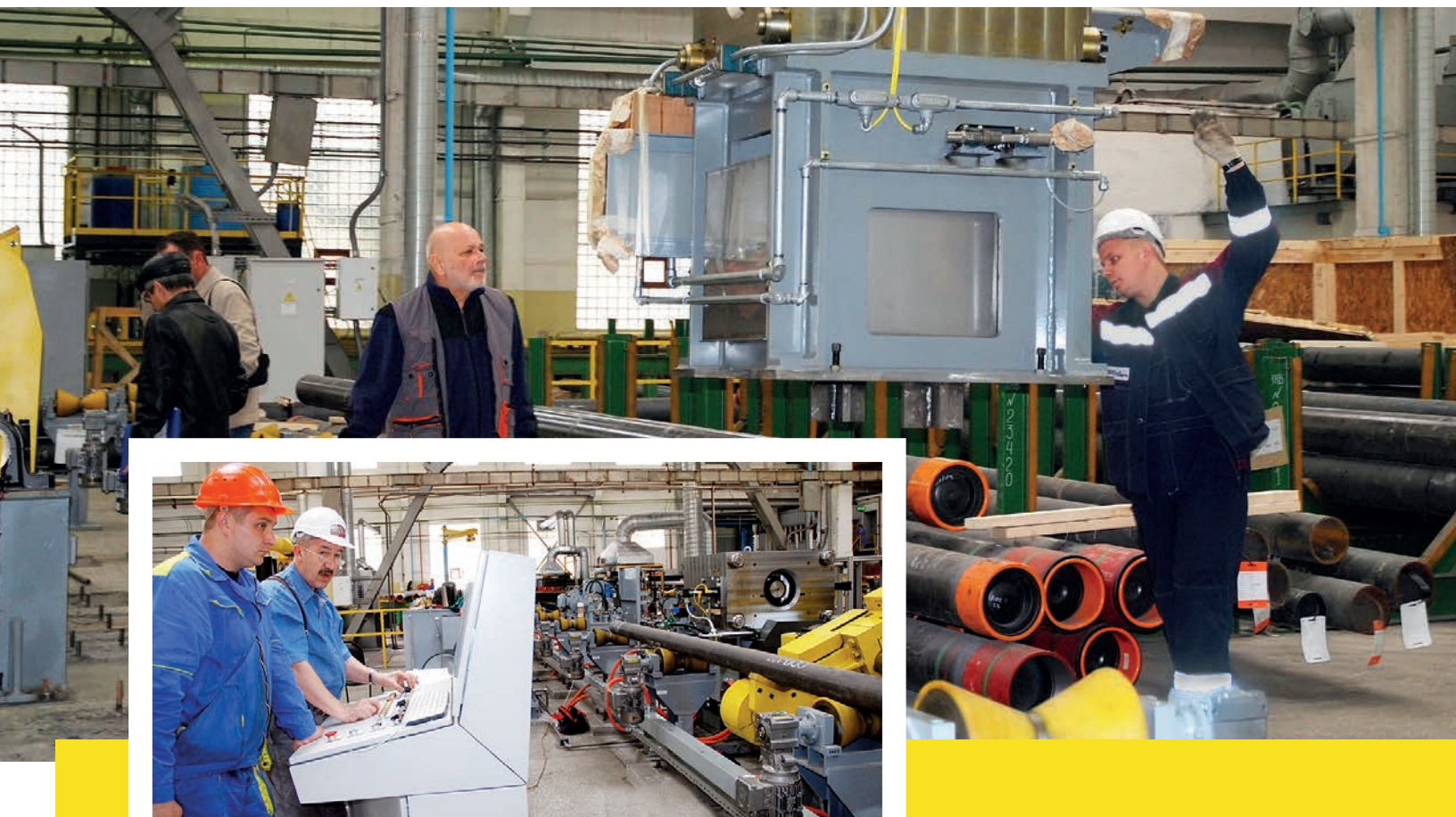
Named to the list of “Seven New Wonders of Nature,” this flat-topped mountain rises more than a kilometer above sea level. Its steep slopes are covered with evergreen trees and brush. It is home to rare plants and animals. As a result, the mountain and land around it make up the Table Mountain National Park and are protected by law.

There is a cableway to the top of Table Mountain, considered one of the best viewing points in the world.

Patrick Gonzales, Managing Director, Trade House TMK, South Africa

Patrick has worked in the oil and gas industry in Central and South Africa for more than 10 years. Before joining TMK in 2010, he was general manager of the largest oilfield service company in Angola.





OMZ COMMISSIONS NEW HYDRAULIC PRESS

The Orsk Machine Building Plant (OMZ) installed a new hydraulic press for couplings to test any size of premium threaded connections for tightness.

“The new hydrostatic tester has enhanced the company’s casing thread quality control procedures and gives customers additional assurance about the quality of our products,” said OMZ Managing Director Vladimir Kocheshkov. “This includes hermeticity in fluid overpressure conditions in challenging horizontal and directional wells, fail-safe installation and fastening, extended service life and safety.”

The hydraulic press can produce test pressures from 14 MPa to 150 MPa with a +3 percent to 0 percent margin of error. The system consists of the test bench, a run-in table and rotary handlers. The

design prevents damage to the coupling and the opposite threaded end of the pipe.

OMZ Chief Mechanical Engineer Alexander Medvedev said the most challenging part of the installation and commissioning work was integrating the new roller table system with the existing one. Despite this, the system went into operation right on schedule.

The manufacturer’s technicians handled installation supervision and commissioning. The team included staff from the premium casing connection department, plant engineering and Aspekt-M, an Orsk-based contractor. The manufacturer of the hydraulic press, Fives Bronx Inc., trained plant employees on the new equipment. ■

TMK INCREASES COATING CAPACITY IN RUSSIA'S LARGEST OIL REGION



TMK's NGS-Nizhnevartovsk plant installed new technology that allows protective coatings to be applied to the inside of pipe used across the oil and gas industry. The new capability increases TMK's coating capacity and broadens the company's range of tubular products.

The new technology uses specialized powder materials that are sprayed on the inner surface of the pipe, and then heated in a furnace to create high-quality, protective-polymer, insulating coatings. The coating protects the pipe from corrosion, extending its service life and reducing maintenance costs. The new equipment uses extensive automation to consistently control operations throughout the entire process. It also records and stores data on inspection and coating thickness control.

NGS-Nizhnevartovsk's new production line has the capacity to annually process up to 32,000 metric tonnes of pipe with diameters ranging from 73 to 168 mm. TMK will use the new technology on its entire range of gas tubular products manufactured by the Russian Division.

"Expanding TMK's oilfield service business means increasing our capabilities and range of services offered to customers," said Sergei Bilan, TMK's vice president for premium products and services. "The additional pipe-finishing capacity at our facility in the Khanty-Mansi Autonomous region is an important step in servicing our partners in Russia's largest oil-producing region." ■

» ESTABLISHED IN 2002, TMK NGS-NIZHNEVARTOVSK OFFERS:

- anti-corrosion coating of oil line pipe, tubing and formed components
- tubing production and repair
- sucker rod repair
- drill pipe repair
- casing preparation
- production of components for tubing and casing strings

TMK PREMIUM PRODUCTS MAKE A SUCCESSFUL DEBUT IN RUSSIAN FRACKING



TMK is working with oil service company Schlumberger to perform hydraulic reservoir fracturing – commonly known as fracking – at fields operated by Orenburgneft, a division of Rosneft. This is the first time that TMK Premium products are being used for fracking in Russia.

Under the agreement, TMK is delivering pipe products and preparing the well for fracking to improve well production. TMK provided the Orenburg Oblast fields with production tubes and couplings (88.9 mm, P110 grade) that feature TMK FMT Premium Threaded Connections. The pipe is used in production strings for fracking in five wells. NGS-Buzuluk, an oil services division of TMK, is overseeing well preparation and pipe runs.

In May and June, the service team successfully ran strings downhole in two wells more than 4,000 meters deep. More than 460 production tubes were used at each well. During injection of aquagel and frac sand, the maximum pressure at one well exceeded 800 atmospheres. Preparations are now under way at a third well.

Using pipe with high-performance characteristics assures that string connections will retain their strength and necessary seal-tightness under all types of loads. This assures high efficiency and safety in fracking operations.

“Fracking is done not only in depleted wells, but in fresh ones too,” said NGS-Buzuluk Development Director Sergei Kulakov. “The first well we prepared had been in operation since 2010, but the second one was just drilled this year. Overall, for the past two or three years, 80 percent of the wells in Orenburgneft’s fields have been brought online with the use of fracking.”

Kulakov added, “I have been involved with fracking preparation and operations for 19 years, but even I was concerned before we started the first operation with premium threads about how it would all go. We can confirm that our TMK Premium Connections can be reused for up to 10 pipe makes-and-breaks.”

Hydraulic reservoir fracturing – fracking – is a method of creating cracks in a hydrocarbon-bearing formation to release fluids to flow into the well. Fracking increases operations in wells where it is impossible or unprofitable to produce oil and gas through conventional methods. Fracking is also used to produce hydrocarbons from shale and dense sandstone, also known as tight sands.

In addition to putting premium threaded pipe through their first fracking tests, TMK achieved another important benchmark: start-to-finish supervision of pipe runs, complete with delivery of premium pipe products and downhole equipment. Previously, the company had only taken part in the first downhole pipe run.

“High-quality pipe products and an integrated customer service approach allow us to take part in complex projects that involve new technologies and increased equipment and service demands,” said Sergei Bilan, TMK vice president for premium products and service. “Based on our successful track record, we intend to expand our experience of comprehensive interaction with our partners, including in the area of unconventional methods of hydrocarbon production.” ■



Make-up process control building



TAGMET COMPLETES SIX-YEAR, \$1-BILLION MODERNIZATION PROJECT

After six years and a \$1-billion investment, TMK recently completed a modernization of its Taganrog Metallurgical Works (TAGMET) production facility, one of the largest plants in Southern Russia. The installation of an electric arc steelmaking furnace marks an important switch to modern metallurgical technologies.

“By upgrading TAGMET’s steelmaking and milling facilities, we have created the most modern complex in Europe for production of high-tech seamless pipe,” said TMK President and CEO Alexander Shiryayev. “The high-quality equipment and technologies enable us to produce and market a wide selection of new-generation pipe products to meet the most difficult oil and gas production projects in Russia and around the world.”

“We have created the most modern complex in Europe for production of high-tech seamless pipe.”

Built by SMS Demag, the new 100 MW electric-arc steelmaking furnace increases the volume of steel production to 950,000 metric tonnes per year. This will provide the load for the PQF pipe rolling mill, which has reached its design capacity.

The furnace recently produced its first industrial lot of steel. To celebrate the milestone, TMK Board of Directors Chairman Dmitry Pumpyansky gave a presentation via videoconference on the entire modernization project to Rostov-on-Don, which featured participation by Russian Federation President Vladimir Putin.

In addition, the new equipment, which was commissioned with a complex of environmental protection facilities, improves industrial safety at the plant while reducing environmental impact. ■



TOP RESULTS PRESENTED AT TMK SHAREHOLDERS' ANNUAL MEETING

The annual general meeting of OAO TMK shareholders took place on June 25 in Moscow. TMK President and CEO Alexander Shiryayev shared how the company expanded its range of products and sales geography over the last year. Highlights included:

- TMK now consists of 28 facilities in Russia, the U.S., Canada, Oman, Romania, the United Arab Emirates and Kazakhstan, and supplies products to more than 80 countries.
- In 2012, 4.2 million metric tonnes of tubular products were shipped to customers.
- TMK sales of oil country tubular goods (OCTG) and line pipe increased by 15 percent and 11 percent, respectively, in 2012.
- Sales of TMK products to oil and gas industry customers represented 75 percent of total shipments.
- TMK's share of the seamless OCTG market now stands at 62 percent of the Russian market and 11 percent of the world market.

Based on these results, Shiryayev said: "Our position has become even more solid from the viewpoint of seamless tubulars for the oil and gas industry, a priority for us."

Shiryayev shared how the company continued implementation of a strategic, large-scale capital investments program, which is scheduled to be completed by 2014. In 2012, TMK invested 13.3 billion rubles into several primary targets that are currently under construction.

During the meeting, shareholders elected the new board of directors, including: Mikhail Alekseev, Elena Blagova, Andrey Kaplunov, Peter O'Brien, Sergey Papin, Dmitriy Pumpyanskiy, Robert Foresman, Igor Khmelevsky, Alexander Shiryayev, Alexander Shokhin and Oleg Schegolev. Pumpyanskiy was re-elected as chairman.

The shareholders also voted to pay dividends of 84 kopecks per share of common stock with par value of 10 rubles. The total payout is approximately 787.6 million rubles. Thus, counting the interim dividends, the dividends in 2012 were 2.194 billion rubles. ■

TMK President and CEO Alexander Shiryayev addresses shareholders at the annual meeting.

Годовое
Общее
Собрание
Акционеров
2013



TMK IPSCO LAUNCHES VALUES RECOGNITION PROGRAM

On July 1, TMK IPSCO launched an internal program to recognize people who exemplify the company's core values of innovation, people, safety and sustainability, customer focus and outstanding quality.

Entitled "Living our Values," the program, which will run for the remainder of 2013, allows employees to nominate individuals and teams who demonstrate one or more of these principles. Eleven individuals were recognized as part of the program launch. Additional finalists will be chosen at the end of the third and fourth quarters. A winning team will be recognized at a special awards gala to be held in January.

"Like many organizations, TMK IPSCO has long been challenged by informational and operational silos," said TMK IPSCO President and CEO Vicki Avril. "While the most obvious effects of silo culture concern our internal operations, they occasionally hamper our ability to provide the best service possible to our customers and industry partners. I am confident that by increasing awareness of our values among employees and fostering greater cross-functional teamwork, TMK IPSCO will reach the next level when it comes to providing outstanding customer service." ■

At the launch of the "Living our Values" program, TMK IPSCO recognized 11 employees who consistently demonstrate and promote the company's core values:

Michael Deline -

for significant contributions during the transition of plant managers in Blytheville, Ark., as well as for improving the plant's on-time deliveries

Karim Erian -

for outstanding service on a major new customer account

Doug Graziani -

for significant contributions on cost evaluations

Steve Lawrence -

for playing a key role in the successful installation of the new welder in Camanche, Iowa

Kent Li -

for consistent and invaluable technical expertise of TMK IPSCO's seamless operations

Dhiren Panda -

for outstanding work on quality improvement

Ernie Sexton -

for making significant improvements to overall plant performance at Brookfield, Ohio

Telmo Souza -

for outstanding work on the introduction of T-95 and MS 1&2 products

Nick Wallace -

for major safety improvements aimed at protecting people and property, as well as for contributing to TMK IPSCO's strong safety record

Ronnie Wilhite -

for significant contributions to overall improvement at Catoosa, Okla., plant

Scott Williams -

for major improvements to inventory management processes

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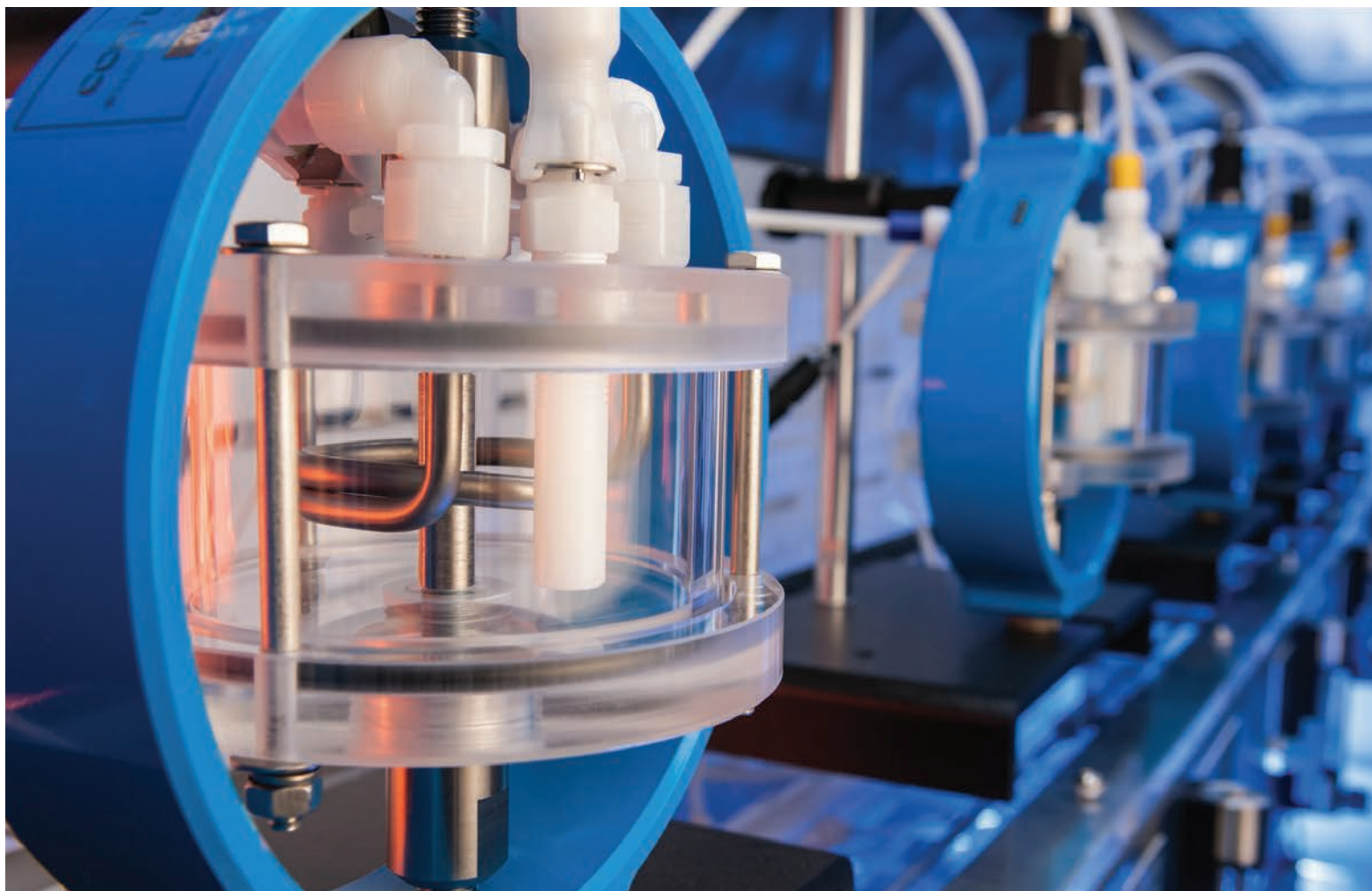
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Collaboration in Energy

Furthering our commitment to deliver even more innovative tubular solutions for the oil & gas industry, TMK IPSCO offers customers a state-of-the-art Research & Development Center in Houston. This center combines some of the industry's leading engineers, scientists and technologists with the most advanced engineering simulations and physical testing equipment available including a comprehensive corrosion laboratory for both HIC and SSC testing and two in-house connection testing load frames. To begin your next collaboration in customized solutions for your ever-changing energy applications, contact TMK IPSCO a leader in welded and seamless pipe, premium connections and accessories.



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