

# YourTube

Technology Motion Knowledge

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№4 (07)

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Sakhalin projects

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recruiting challenges



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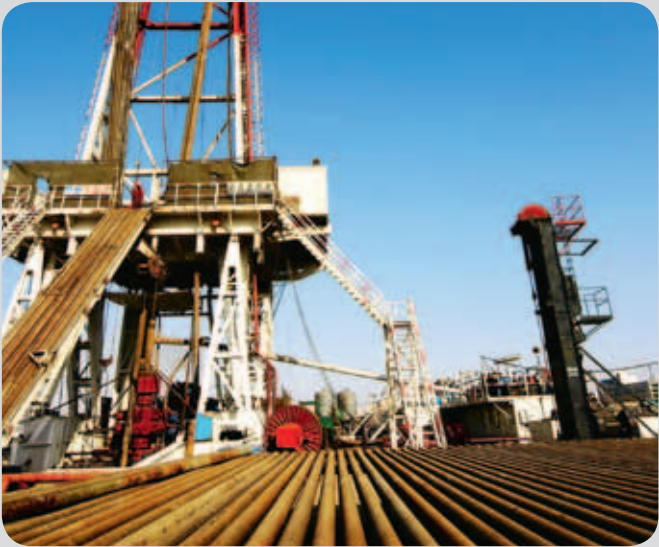
**People as  
a unique  
resource**

# A TEAM FOR SUCCESS





YourTube is targeted to three audience groups – hailing from various countries and continents – and is published in parallel Russian, Romanian and English editions. The highlights of each magazine are different, depending on the division. This edition offers a compilation of selected materials published in the Russian and Romanian editions of YourTube No. 4 (07) ✓



## A Tough Year Lies Ahead in Global Economy

Looking at rapid fluctuations of commodity prices, foreign exchange rates and major global companies' stock prices, some financial analysts expect a steady global economic recovery in 2012, others project another recession.

When speaking in Saint Petersburg, Christopher Pissarides, a winner of the 2010 Nobel Prize in economics, stated that global financial markets were still turbulent implying that growth could hardly be expected very soon. "What is happening now is actually a continuation of the recession of 2008," said Pissarides. "Should I be a pessimist, I would say that the world would only recover by 2050. But as an optimist, I would hope that the situation will start improving in 2012," he added. According to Pissarides, the key drivers are now political decisions rather than macroeconomic trends.

Analysts claim that commodity companies should be ready for lowering demand in Europe and, probably, North America as stagnation and price drops could occur.



## Romanian Economy's Locomotive

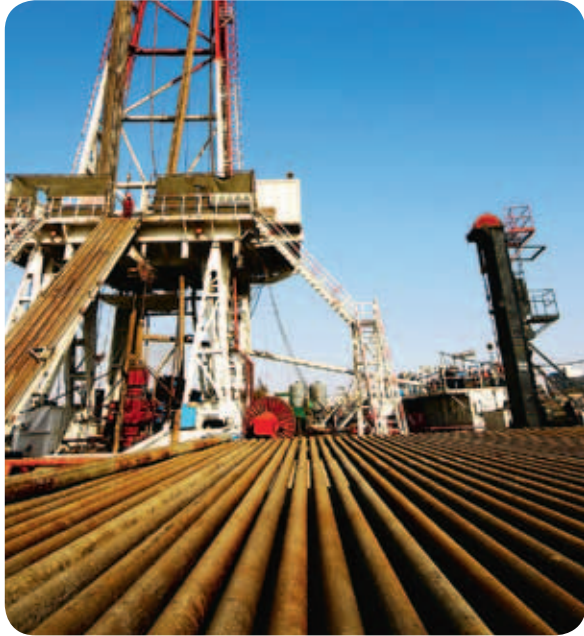
Russian Ambassador to Romania Alexander Churilin visited TMK-ARTOM's facility in Slatina. Five years ago, a new CPE pipe rolling mill (Cross Piercing Elongator) was installed, triggering a virtually twofold increase in TMK-ARTROM's pipe capacity and contributing substantially to TMK's brand expansion in Europe. Churilin acknowledged that things had changed dramatically at TMK-ARTROM over the five years after his first visit to the site. He noted that TMK is a well-organized multinational company with ongoing development in place and new equipment and technology introduced. He also underlined TMK's ability to skillfully protect its interests on the European market.

"I hope that TMK continues to be a locomotive, setting an example for other companies of how to do business and to interact within the organization," the Russian ambassador told YourTube.

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»» DIRECTOR OF THE YEAR – 2011

Dmitry Pumpyanskiy, Chairman of TMK's Board of Directors, has been declared a winner in this year's 6th Annual "Director of the Year" nationwide competition. He took first prize in the category "Best Board Chair: Contribution to the Development of Corporate Governance." The high rating of Pumpyanskiy's professional work stems from the success of TMK, which continues to work toward its primary goals of strengthening its position among the world's pipe manufacturers and becoming a leading innovator in areas such as energy efficiency, nanotechnology, environmental safety, and scientific research. Pumpyanskiy was also recognized for his effective interaction with the company's management, an advantage that has enabled TMK to successfully implement key decisions not only in its ongoing work, but also in the creation of new benchmarks in its long-term strategy. The competition, which is co-sponsored by the Association of Independent Directors and the Russian Union of Industrialists and Entrepreneurs (RSPP) with support from PricewaterhouseCoopers, has been held annually since 2006. ■

»» PREFERRED SUPPLIER FOR KAMAZ

TMK received the highest supplier rating from KAMAZ (Kama River Automotive Works), thereby joining the ranks of preferred suppliers for Russia's largest automobile company. An assessment for the second quarter of 2011 gave TMK an A rating (excellent supplier).

TMK's work was rated under such assessment categories as Purchasing, Technology, Quality, and Logistics. The company confirmed that it is a high-quality and responsible supplier of industrial pipe, including pipe for the automotive sector. ■



»» TMK IPSCO'S PLANT IN CATOOSA, OKLAHOMA CELEBRATES 25 YEARS

2011 was a special year for the employees of TMK IPSCO's facility in Catoosa, Oklahoma, as they celebrated 25 years of continuous operation. Initially operating a single heat treatment line, the facility has expanded over the years to include other important pipe finishing operations such as coating and threading. To help satisfy growing demand for pipe capable of withstanding difficult and unconventional drilling and production environments, the Catoosa facility began producing TMK IPSCO's line of ULTRA™ Premium Connections.

Today, TMK IPSCO's facility in Catoosa has 211 employees engaged in a variety of processes to finish pipe before it is sold to end users in oil and gas-producing regions of Texas, Oklahoma, the Dakotas and the Rocky Mountains. Due to growing demand, the facility is due to embark on an upgrade of its heat treatment line in 2012.

"The changing market, our close cooperation with other TMK facilities and all the new investment projects underway make this a very exciting time to be at TMK IPSCO and Catoosa in particular," said John DeSanzo, Plant Manager at Catoosa. ■



»» MANAGERS TESTED

Seventeen executive managers who completed training and successfully implemented projects at TMK companies based on the Six Sigma continuous improvement system have had their projects reviewed. The Six Sigma methodology brings together cutting-edge experience from the world's leading companies in the area of business process improvement. TMK introduced the Six Sigma continuous improvement system in 2010. Recent improvement projects were reviewed at TMK's Moscow office by a committee of managers and technical specialists from TMK, TMK IPSCO, and SSA (Six Sigma Academy). Based on the exam results, the executive managers of those projects were awarded certificates of completion of the Six Sigma Gold Belt intensive training. Projects that have not yet been completely implemented will be reviewed in the first quarter of 2012. TMK will also continue training its executive managers and extending the application of the Six Sigma methodology to companies in its European division. ■

»» PREMIUM PIPE RUN FOR GAZPROM NEFT

In early October 2011, TMK ran casing with TMK FMC premium connections down a well at the South Priobskoye field for Gazprom Neft. The work was overseen by TMK-Premium Service. The production string that was run down the well consisted of 276 casing pipes with TMK FMC premium connections, which were manufactured by TAGMET (Taganrog Metallurgical Works). This was the first time that TMK-Premium Service had run pipe for Gazprom Neft. No problems were found while the string was being assembled and run; the high quality of the pipes allowed specialists to assemble the string with great speed and without delays or complications.

The Yuzhno-Priobskoye field is one of Gazprom Neft's largest and most promising fields. The field's geological reserves are estimated at 1.2 trillion metric tons of hydrocarbons. ■

»» APPOINTMENTS



**DMITRY LIVSHITS** has been appointed Managing Director of TAGMET (Taganrog Metallurgical Works). His previous position was as TMK's Vice President of Manufacturing. TAGMET's previous managing director, Nikolai Fartushny, left that position for personal reasons.

Dmitry Livshits was born in 1968. He has been in the metallurgical industry for over 18 years, advancing from metalworker to senior manager. His career history is closely tied to major Russian and Ukrainian metallurgical enterprises, such as the Chelyabinsk Metallurgical Plant, Azovstal, and the Khartsyzsk Pipe Plant, where he worked in various management positions. ■



»» NEW COATING

TAGMET has produced trial batches of casing with buttress connections and lubricant-free coating. The new coating, developed jointly with St. Petersburg researchers, ensures that the connections in a casing string maintain their seal. In addition, the lubricant-free coating substantially reduces the time needed for preparing pipes to be run into a well by eliminating the step of washing the threads, which used to be necessary before applying thread jointing paste. These pipes successfully passed a series of tests with real drilling derricks, maintaining full seal integrity. ■





»» VIKTOR ZUBKOV VISITS VOLZHSKY PIPE PLANT

The Volzhsky Pipe Plant hosted a site visit by Viktor Zubkov, First Deputy Prime Minister of Russia. He was accompanied by Anatoly Brovko, Volgograd Oblast Administration Head; Vladimir Efimov, Volgograd Oblast Duma Speaker; Dmitry Pumpyanskiy, Chairman of TMK's Board of Directors; Alexander Shiryaev, President & CEO of TMK, and Elena Blagova, Managing Director of the Volzhsky Pipe Plant. During the visit, Pumpyanskiy told the deputy prime minister about present-day production of spirally welded, longitudinally welded, and seamless pipe used in the oil and gas industry, as well as about the main stages of the Volzhsky Pipe Plant's upgrade. The high-ranking guest left an inscription on one of the large diameter pipes: "The future is with us!" ■

»» LUKOIL CONTRACT

TMK and LUKOIL have concluded a contract to supply the oil company with pipe products for 2012. Under the contract, TMK commits to meet 100 percent of LUKOIL's needs for pipe products to be used through all stages of oil production and refining. The planned supply volume will be at least 260,000 tonnes of pipe per year. LUKOIL is one of the largest consumers of TMK's products. The estimated amount of pipe supplied by TMK to the oil company in 2011 is over 130,000 tonnes. Commenting on the new contract, Alexander Shiryaev, President & CEO of TMK, said: "TMK and LUKOIL have been partners for years. The positive experience of our past collaboration, both qualitatively and quantitatively, has laid the groundwork for a transition to a new stage of collaboration, one in which the extent of our cooperation is now across the board. TMK, a major pipe supplier for the oil and gas industry, will be fully supplying LUKOIL, one of the leaders in the oil industry, with all of the pipe products it needs for its operations." ■

»» BRANCH OFFICE IN UZBEKISTAN

In October 2011, TMK opened a branch trade office in Tashkent, Uzbekistan. The purpose of the office is to foster better operational coordination with Uzbekistan's oil and gas companies. The opening of the office is also an important step in developing trade relations with Uzbekistan and promoting TMK's products in the republic's wholesale market. Uzbekistan's oil and gas production market is important for TMK, since it is a major consumer of pipe products and plays a leading role in Central Asia in terms of natural gas production. Besides the state-run company Uzbekneftegaz, players in the republic's energy sector include LUKOIL, Gazprom, Petronas, CNPC, KNOC, and other current and potential TMK partners. ■

»» TMK TAKES PART IN METAL EXPO 2011

From November 15 to 18, Metal Expo 2011, one of Europe's five largest exhibitions, took place in Moscow. This year marked the 17th anniversary of the event. In keeping with tradition, TMK held a ceremony in which it presented official dealer certificates for 2012.

The main event for Russia's metallurgical industry, Metal Expo 2011 drew 650 exhibits from leading metallurgical and pipe companies to its 32,000 square meter exhibition space. Equipment manufacturers and suppliers, as well as large metal traders were also present. Thirty-two countries were represented, including Germany, China, Italy, Finland and the Czech Republic.

At TMK's stand, located at the front of the pavilion, directors and managers from Trade House TMK held meetings with current and potential partners.

Speaking at the opening ceremony to award official dealer certificates, Vladimir Oborsky, executive director of Trade House TMK, noted that in 2011, collaboration with official dealers saw considerable growth. Both the number of dealers and the volume of product shipped to them increased. A total of 104 dealer certificates were issued for 2012, an increase of 17 percent over the previous year. ■



»» STABLE GROWTH

TMK's operational and financial performance for the first nine months of 2011 showed sizeable growth compared to the same period in 2010. The quantity of shipments of TMK pipe products increased 11.7 percent to 3.195 million tonnes.

As a result of increased drilling and production of hydrocarbons worldwide, the Russian division's shipments of OCTG grew by 8.1 percent. Because Russian oil and gas companies have been repairing oil and gas pipelines, shipments of welded line pipe have gone up by 30 percent. Large diameter pipe (LDP) shipments have also risen: they are now at 488,000 tonnes, up by 9.5 percent. The market for welded industrial pipe is showing a positive trend, thanks to increased demand in the construction and machine-building sectors, as well as greater demand in the housing and public utilities area, a pattern that is typical for this time of year. Shipments of welded industrial pipes have grown 3.6 percent compared to the same period in 2010.

TMK's American division, which shipped 747,000 tonnes of pipe products in this 9-month period (an increase of 14.9 percent), has achieved its best results in the line pipe market. Due to the need to transport increasing amounts of produced hydrocarbons to processing and storage sites, shipments of seamless and welded line pipe went up 245.8 percent and 46.4 percent, respectively. Shipments of OCTG, both welded and seamless, posted a year-on-year increase of 8.4 percent with an increased share of seamless products. Demand for TMK premium threaded pipes continued

Summary 9 month 2011 results

(In millions of U.S.\$, except earnings per GDR)

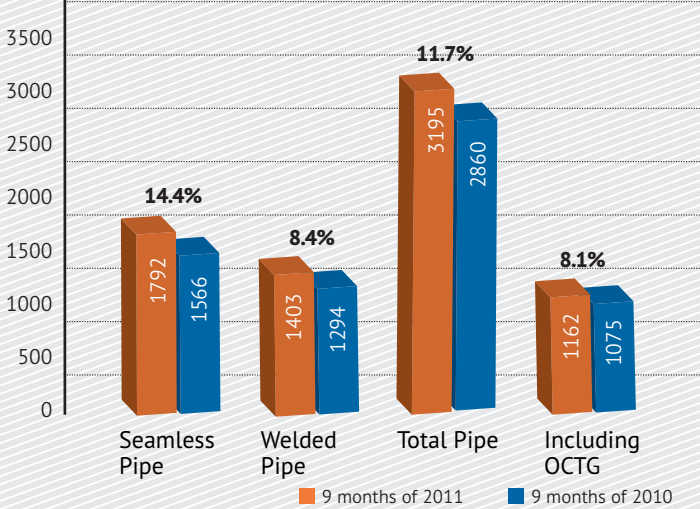
	9 month 2011	9 month 2010	Change, %
REVENUE	5151	3931	+31
GROSS PROFIT	1115	913	+22
PROFIT BEFORE TAX	398	158	+152
NET PROFIT	279	102	+174
EARNINGS PER GDR*, U.S.\$	1,28	0,48	+167
ADJUSTED EBITDA	827	649	+27
Adjusted EBITDA margin, %	16	17	

\* GDR represents 4 ordinary shares

to grow during these nine months, in both North America and Russia. Total shipments increased to 333,000 tonnes, which is 7.5 percent more than they were for the same period in 2010. Demand for TMK's Russian premium family increased 16 percent.

TMK Group sales are up 31 percent for the nine-month period. The main drivers of growth have been higher prices and an improved assortment of manufactured products. Seamless pipe, a key product line for TMK, accounted for 57 percent of the company's sales and 73 percent of gross profits for this 9-month period. Margin on sales decreased by 1 percent to 22 percent (the result of increased spending on raw materials), but the margin on seamless pipe went up from 24 percent to 28 percent. Net profit went up 174 percent to \$279 million. Financial debt decreased to \$3.769 billion for the nine-month period. ■

Volume of shipped pipe products (thousand tonnes)







Leading companies have long been aware that competition is not only about technology and quality. Intangible assets are getting more and more valuable. As are people, of course. The only factor that truly makes a company, its products or services unique and competitive is its people. But building up an effective team is a quite a challenging equation. How to find a proper solution? Heads of HR from Russia, the U.S. and Romania share their thoughts on the following pages.

Our people strategy involves building up a highly professional team and incentivizing it to pursue TMK's business strategy

# THE TRANSPROFESSIONAL

**NIKOLAI KOLBIN**, TMK's Vice President for Organizational Development, is convinced that a company's employees and their performance largely determine its profit and success. How can success be achieved? What are "human resources" and how can they be used efficiently? How can one strike a balance between financial incentives and recognition? Finally, what is a transprofessional? Nikolai Kolbin spoke about all of these questions in a recent conversation with YourTube.

**Mr. Kolbin, what is TMK's HR policy? What role does it play in the company's development?**

Human resources play a major role in TMK's development. After all, it is employees who are responsible for achieving the company's business objectives. Our HR strategy focuses on developing a highly professional team and ensuring that it is motivated to implement TMK's business strategy. In our HR strategy, we rely on the best practices of the TMK Group and cutting-edge international HR experience, and we are developing and introducing corporate HR procedures that take into account the distinct regional, professional and other characteristics of TMK Group companies. To increase labor productivity and cost effectiveness, we periodically optimize our employee base both qualitatively and quantitatively. All this is done to retain the backbone—the key employees who increase production efficiency and add value to the business. I have to say that TMK sets very high standards for its staff, so it provides employee education and training in different fields: technical, sales, and management. Of course, specialists in these areas are in demand, and it's no surprise that other companies approach them. To retain these professionals and recruit new ones, TMK companies have introduced a new system of compensation and incentives, and they offer employees a good benefits package.

**What kind of employees does a modern industrial enterprise need today? Does the level of training in the trades and at educational institutions meet these requirements?**

The equipment installed at modern facilities is so complex that only people with knowledge in different technical fields can work on it fully. And since it's impossible to increase labor productivity without making efficient use of equipment and employees' own potential, both the company and employees have a stake in mastering related professions, gaining additional knowledge, and expanding their area of responsibility. In short, these days, a good employee is a professional who can master and efficiently work on complex equipment while learning related trades at the same time.

The same applies to good management. Certainly, good managers must be professionals, have a thorough grasp of all the nuances in their fields, and know how their divisions operate down to the smallest detail. But today's managers must also know how to clearly set objectives, motivate employees, monitor processes, and achieve the expected results.

It's hard to acquire this level of practical and theoretical knowledge at modern educational institutions. I believe that their curricula need to be continuously improved. And, of course, educational institutions and employers should work closely together to train



Every year the company spends a huge budget on staff training. In 2011, a total of 29,000 people participated in training under various corporate programs

specialists whose skills are in demand. Our company, for example, has long worked with specialized educational institutions in the regions where we have a presence. TMK and the Urals Federal District are now developing a three-way cooperative project between the Ministry of Education, Seversky Tube Works, and the Sinarsky Pipe Plant to modernize secondary specialized vocational schools under the federal program for educational development.

**How else is the company involved in the training of its specialists?**

We adhere to the principle of continuous employee development. The majority of our facilities operate their





**In our days, a good employee is a professional who could effectively operate most sophisticated equipment and master allied trades**

own training centers, and they hire educational service providers and instructors from leading universities. All our facilities arrange for professional development, train personnel according to the investment projects that are being implemented at the plants, and develop a pool of management talent. In 2011, we trained senior leaders in new management methods. The company is also training its own in-house business instructors, who will soon begin teaching line managers in order to increase their managerial competencies.

The company devotes significant resources to training every year, and in 2011, it trained about 29,000 people through its various programs. TMK seeks to increase its employees' educational level: today, 25 percent of the workforce at our industrial facilities have university

degrees, 30 percent have graduated from secondary-level colleges, and 30 percent have completed studies at vocational schools. On-the-job training and sharing of experience get a lot of attention at the company's facilities. These programs are designed for all categories of employees: shop floor employees, specialists, and executives of the plants and at TMK's headquarters. Since the company is global, there are both domestic and international on-the-job training opportunities.

**Are there a lot of young people working for the company, including in management positions? Are young specialists interested in manufacturing careers?**

Thirty-five percent of the employees at our company's core facilities are 35 years of age or younger. At some plants the percentage is even higher—about 40 percent. The facilities are able to recruit young specialists thanks to our joint efforts with educational institutions and our decent compensation. A lot of our managers—20 percent—are under 35. The majority of them came up through the ranks at our company, and anyone who really wants to, who makes an effort and who has the required knowledge and experience, can do the same.

**What formula for success does the company offer new employees? What can they look forward to and under what conditions?**

Soon after new employees arrive, their ambitions become clear. New hires have extensive opportunities

to prove themselves. They can participate in professional competitions, as well as in academic and practical conferences where young specialists offer ideas for improving company performance. Employees can also participate in company innovation activities. The most proactive, promising employees don't go unnoticed. They are put into the management pool, undergo special training, and are appointed to higher-level positions. They also have plenty of opportunities for horizontal development.

**How can one recruit young people to work in production today?**

Young people like working at modern companies—ones that provide decent working conditions and professional growth. If a company can provide these things, it will get the most promising young people.

**What do you think is more effective, bonuses or recognition?**

The main thing is to strike a balance in the use of different kinds of incentives. Only then will employees devote themselves to the process and achieve meaningful results. I'm not going to talk a lot about the importance of financial incentives; everyone understands that pay, bonuses, and benefits are an integral part of building employee loyalty. Recognition, however, is a more subtle matter, but one that is just as important. There is no such thing as work for work's sake. People come to work primarily to achieve their personal goals—to earn money, build a career, gain recognition, or achieve professional and personal fulfillment; there could be a multitude of reasons. That's why we have to show employees that working to achieve the company's goals brings them closer to satisfying their own personal needs and interests.

If employees understand the work process and are given clear objectives and everything needed to fulfill them, and if management adequately responds to the result—if they reward employees, enable them to build their skills and climb the corporate ladder—employees will then be motivated to perform and to take responsibility for their personal contribution to the common effort.

**What principle does TMK use to compensate and financially reward employees, and how much does this depend on the amount of work and its quality? Will there be changes in the compensation system?**

Like the majority of companies, compensation at TMK consists of a fixed part and a variable part, the bonus. Its size depends on the accomplishment of the team's objectives on the basis of performance criteria, which are focused on producing high-quality products and meeting delivery schedules. The company also uses a system of key performance indicators, which is how the performance of senior managers is evaluated. We plan to expand this system and apply it to other management levels. TMK's financial incentive system is being continuously improved.

**Did the establishment of the European and American divisions bring anything new to TMK's HR policy? How closely do the HR departments of the divisions and the management company interact?**

All of the divisions and their employees in different regions form a single team. Our HR activities are based on TMK's general HR policies, although the different outlook and experience of employees in each region are certainly taken into account. No less important is the fact that we have created conditions for exchanging best practice and experience. For example, many HR directors at Russian pipe plants have visited facilities in the U.S., and the head of TMK IPSCO's HR department has come to Moscow several times to share experiences with colleagues. The HR manager at the Romanian facilities completed on-the-job training at the Sinarsky Pipe Plant in 2011. Employees of foreign facilities also participate in corporate-wide events. For example, this year the TMK young professionals' conference was international for the first time with a TMK IPSCO employee attending. We look forward to further cooperation among TMK's facilities in different countries.

**35 percent of people employed by the company's core production facilities are 35 years or younger. For some of the plants, this percentage is even higher (around 40 percent)**

**The company has adopted an HR strategy through 2020. What are its basic tenets and does it introduce anything new? What are the short-term objectives?**

As for the objectives up to 2020, they include, first, a continued effort to create a new kind of employee base that will follow the best industry and global practices in terms of labor productivity.

Second, they include establishment of a balanced performance-based system of recognition and financial incentives.

Third, they involve upgrading the HR administrative structure to adapt to changing internal and external conditions. Then, they involve implementing social projects and programs that ensure the stability of the workforce and the absence of social tension. Finally, they involve a steady increase in the quality of employees at all levels.

The near-term objective for HR heads at the Group's facilities is to ultimately create a common HR space within the company and to involve managers at all levels in implementing the HR strategy, which will ensure efficient HR management. ■



# INVESTING IN THE FUTURE

Regardless of division, the TMK Group's corporate development strategy invariably involves a commitment to invest in people. **LORI ROBERTS**, Vice President and Chief Human Resources Officer at TMK IPSCO, recently spoke with YourTube about efforts to recruit new talent, offer training and development for current personnel and deal with some of the key Human Resources challenges that the company will continue to face.



**What are the key Human Resources challenges that TMK IPSCO faces today?**

When TMK IPSCO was initially formed, we faced the challenge of creating a new company and a new corporate infrastructure, which meant building our corporate finance, systems, supply chain, sales/marketing and human resources functions. In addition, both then and now, we want to build our sales and technical organizations for competitive reasons, and that has placed significant recruiting demands as well. Another key issue is training and development, which we have been working on for more than a year. As we bring new hires into the company, drive innovation, focus on continuous improvement in our operations, and implement new systems, it's vital that we have an employee development infrastructure in place to support all of these initiatives.

Finally, there is the need to keep our eye on medical costs. This has been an issue for such a long time in our country that it can become easy to lose focus, but it remains a very real issue. Healthcare inflation has been and continues to be prolific; healthcare experts are indicating that, again in 2012, we should plan on cost increases in range of 10 percent. We must manage our benefits offerings and providers closely, and use our wellness program to improve the overall health of our employees.



The only factor that truly differentiates a company from its competitors is its people

**Do you expect these challenges to continue?**

I do anticipate the recruiting challenges to continue, for a few reasons. First of all, there is the issue of demographics. Like all heavy manufacturers in the U.S., we are facing a 'demographic squeeze' in our labor force. We have a significant number of baby boomer employees in our hourly ranks who are looking forward to retirement, yet due to hiring trends in the late 1980s and 1990s, there are fewer skilled workers coming up behind them. We will have to recruit to fill in these gaps.

Secondly, there is the issue of the skills that we need. TMK IPSCO's strategy is to move away from commodity products to more value-added, innovative products and services. This means we need to beef up our technical skills throughout the company. One example of how we're moving in this direction

can be seen in the new R&D Center that we've built in Houston, which will continue to bring a lot of new talent on board at TMK IPSCO.

We take all of these challenges into account with our people strategy.

**What does it mean to say that TMK IPSCO is pursuing a "people strategy"?**

The only factor that truly differentiates a company from its competitors is its people. Companies have access to the same equipment, tooling and raw materials, and, in today's economy, to much of the same information. Thus, the assets that will give an organization a comparative advantage are the people. It's important to have a strategy to optimize this resource, much as we have a marketing, product development or manufacturing strategy.

**What are the highlights of the people strategy?**

One area of emphasis is obviously recruiting. Last year we hired Stephanie Glashagel, Manager of Talent Acquisition, to lead our recruiting efforts. She is in the process of building the recruiting organization and developing standard processes and sources.

In addition to our professional recruiting efforts, where we hire experienced talent, Stephanie is building a college recruiting program, so we can hire new graduates and bring them along through the organization. As part of this program, we brought 10 engineering college interns into the company this summer. They had assignments in areas such as operations and quality at our facilities in Blytheville and Camanche, as well as the product development and R&D groups in Houston.





**How does the people strategy relate to current employees?**

As I mentioned earlier, employee development is a key area for us. Michael Poll recently joined the company as the Manager of Training and Development. We will be developing a competency model for the organization, where managers identify key competencies necessary for success in an employee's position, as well as training and other development opportunities available to build those competencies. As we have many first-time managers in the organization, we're also looking at leadership development programs. And in order to manage these learning opportu-

nities, we are implementing a new Learning Management System this year as well.

Finally, under the leadership of Ivonne Baez, our Corporate Communications Manager, we've been developing our communication program. TMK IPSCO is essentially a new company. While many of our employees have been with the predecessor companies for many years, the combination of entities is new, and we have hired many new employees since 2008. It was thus important to lay out the organization's Vision and Values in order to communicate what type of company we strive to be. We have a very

committed employee base, and they're interested in the company's progress; that's why communication pieces such as YourTube and the TMK IPSCO Insider newsletter are important. In the future, we're planning to use other communication mediums, such as video streaming and a new intranet.

**What role does technology play in Human Resources?**

Technology can be a powerful tool in the Human Resources function, and we're in the midst of implementing a comprehensive new Human Resources Information System (HRIS), which will provide us with contemporary hire-to-retire IT functionality. On the recruiting end, the system (which is from ADP, one of the largest payroll and HR services providers in the U.S.) is web-enabled, and it will link with internet job boards. Candidates will be able to apply on-line, and we'll be able to perform initial candidate screenings through automation. Once

a candidate is hired, we'll be able to offer many of the on-boarding steps through the web, including initial new hire orientation processes, so new employees will be able to become acclimated to the company more quickly.

In addition, the new HRIS system will host our performance management and succession planning tools, as well as the learning management system that I mentioned previously. This will allow us to map out career paths more readily, as well as identify critical skills throughout the organization, regardless of location or department. The system also has a robust employee self-service feature, which will provide employee ready access to their personal, career, and benefits data. The payroll component is also web-enabled, so employees will be able to access their payroll history, check stubs, and even W2 tax forms over the internet if they'd like.

Another technology tool that has been quite useful is our new emer-



**Our strategy is to move to more value-added, innovative products and services. This means we need to beef up our technical skills throughout the company**

gency notification system. We had just installed the new system (which allows us to push mass phone calls and email messages to employees in just a few minutes' time) last winter before the Chicagoland area was hit with a major snowstorm. We were able to communicate instructions to our employees readily during that event. When we lost power at the Downers Grove office for three and a half days in July due to another storm, we used the system twice a day to communicate with affected employees. I'm not so sure people appreciated the system so much when they received phone calls from us at 5:30 a.m.! We have every location set up on this system, so we're able to reach all of our 2,400+ employees instantly through this technology now.

**You've been with the company a little over a year now; what are your impressions?**

I was immediately struck by the skill level of our employees. I've been

in HR in manufacturing for about 20 years now, and this is one of the most skilled workforces I've seen. Given the complexity of the product and process, that's an advantage.

I've also been impressed by the commitment of our leadership team and parent company to invest in people. They know that there is great potential in our markets, and they're willing to do what it takes to be a powerhouse. This is not a proposition where we try to get by on what we have. We are literally building entirely new organizations from scratch, such as the R&D center, and we have significantly built out or are in the process of building out other organizations. As we're fortunate to be involved in the booming energy industry, we're able to attract highly qualified employees. And our story sells in the market: candidates are attracted to the company's accomplishments, and they want to be a part of this story. That makes my job a lot of fun. ■

As we have many first-time managers in the organization, we're also looking at leadership development programs



# TMK's EUROPEAN TEAM COMES TOGETHER

How are the employees at TMK's European locations working together? What are the unique features of HR work in the company's European division? YourTube gets the story from **OLGA KOLOMEETS**, Deputy Director of Communications and HR Policy for TMK-ARTROM / TMK-RESITA.

## Can we say at this point that TMK's European division has a unified corporate culture?

TMK's European division is an alliance of manufacturing and trading companies in Romania, Germany and Italy. The division brings together a factory that goes back more than two centuries, a modern business of the late twentieth century and a trader that represents the interests of a young Russian company in Europe. The work of each one has a clear logic, and the separation of their areas of responsibilities is obvious: some produce, and others sell. However, being part of a division of a global company means it's impossible to live in isolation. All the time you have to remember: whether you're working in a small town in Romania or Italy, or in an industrial center in Germany, your work affects both the European division and the TMK Group as a whole. At this point, it's too early to say that a unified corporate culture has been fully formed in the division, but we are moving in that direction—our work is taking on new meaning, we're feeling more strongly like a team.

## What is helping these European businesses integrate into TMK's unified corporate space?

Undoubtedly the main factor is accomplishing the company's common business objectives—manufacturing products and bringing them to market under a uniform TMK brand.



Just as important for consolidating TMK's multinational staff, in my view, is communication, the exchange of information. And in that sense, a corporate resource like YourTube means a lot; this magazine lets us tell about ourselves, and we also find out how our colleagues in other countries live and work.

## What's special about how the European division team works?

Our principles and pathways of communication. First of all, when you're working in Europe, you have to react quickly to market changes. In order to respond promptly to customers' demands, staff relations must be stable, processes must be clear, and areas of responsibility

must be precisely defined. It's very important to periodically coordinate our positions, so that our communications properly highlight key points, taking into account the cultural specifics and expectations of not only our customers in different countries, but our own colleagues, too. That's why the European division's work process involves maintaining close contact between production people and sales people. Regular meetings within the division, as well as joint meetings with customers, are indispensable elements of that process. Secondly, the linguistic aspect is given a special role. When our international team communicates within the European division and beyond it, we use English, which is not the native language of any member of the team. To work successfully, you need smooth communication—you need to be able to hammer out the details efficiently, check and recheck, confirm that meaning is getting across correctly, taking translation into account.

## What demands does the unique nature of the European market put on HR work?

The HR policy of the European division companies as a whole, and the Romanian businesses in particular, is based on TMK's overall corporate strategy. However, to do competent HR work, you have to know, understand, and take into account the legislative requirements of the companies' home countries: besides the general European Union laws, you have national labor codes, as well as individual agreements with professional organizations in each country. For example, changes in Romania's laws that affect the vital interests of workers are happening very fast. It's

important that both employees and management are precisely informed of their rights and responsibilities. Mariana Mustață and Gabriela Anghel, who head up the human resource offices of the Romanian companies, have years of experience working in their country and know practically every employee on their staffs personally. Thanks to their smoothly running operations, as well as the support of our colleagues in the German and Italian offices, we are successfully handling all of the specific demands that are placed on HR work.

## How have projects to upgrade TMK's Romanian assets affected employee numbers and staffing structure?

The Romanian businesses account for a significant portion of the European division's total personnel—more than 1,900 people. In the past five years, the company has undertaken large-scale projects to increase production volumes and expand its range of products. At TMK-ARTROM, this work has gone hand in hand with perceptible fluctuations in personnel numbers and changes in staffing structure. For instance, 2007 and 2008 saw marked personnel growth due to new equipment being brought online. Then, as people were learning to use the equipment and bringing it up to design capacity, staff turnover increased. Many people who couldn't handle the workload left, and others came in to take their place. We ended up with a sort of "survival of the fittest," which has resulted in optimized staff structure and optimal numbers.

TMK-RESITA was being modernized and upgraded to new tech-

**When you're working in Europe, you have to react quickly to market changes. In order to respond promptly to customers' demands, staff relations must be stable, processes must be clear, and areas of responsibility must be precisely defined**

nologies at the same time as the company's program for enhanced sustainability was being implemented with regular monitoring at the EU level. As we abandoned antiquated production methods in favor of high-tech ones, concentrated our production processes, and did away with using obsolete assets, that naturally made it necessary to downsize and revisit the staffing structure. In the course of five years, by 2011, personnel numbers were practically cut in half. For some people, this was not easy—after all, TMK-RESITA is one of the three largest businesses in the region. Even so, these optimization processes were not unexpected: the employees were informed about why we were modernizing, how it was necessary to get the business up to the break-even point and increase productivity. Well in advance we offered them the opportunity to seek alternative employment and supported them through the transition period defined under their collective labor agreement.

## Can you tell us about any special considerations involved in working with employees in Romania?

The migration of Romania's population in search of a better life increased many times over after Romania joined the EU in 2007 and its borders were opened. We felt the full effects of this during the years when TMK-ARTROM's Shop No. 2 was being ramped up. Unskilled work abroad that brought in higher income was much more attractive than working as a master machinist or engineer at a state-of-the-art Romanian factory. But there were those who stayed, because they wanted to see with their own eyes how the new equipment would work, and what kind of products the plant would turn out, because they wanted to be part of the transformation process and take their work to a new level. That was, and continues to be, the motivation for those who

did not leave the company, despite the wealth of alternatives. And for that we are grateful to them.

Today, migration out of the country is no longer such a mass phenomenon. But now we're encountering the other side of it: the people who decided to stay in their country are extremely attached to their own region. Relocating within the country is not in their nature.

## What HR goals lie ahead for TMK's Romanian businesses?

Today, our goal is to increase our share of high value-added products. That's why the development of personnel who are capable of working effectively in a state-of-the-art production environment is an important component of our HR policy. The key tool for achieving this goal is definitely worker training and ongoing professional development.

Another goal that's just as important is bringing younger faces into the TMK-RESITA workforce. The prestige of professions that involve physical work has been steadily falling. The business's personnel, unfortunately, are getting noticeably closer to retirement age, but young people don't like to get their hands dirty. Our goal for the near future is to attract employees to work and grow at TMK, to have the older generation pass on their professional experience and practical skills, and to set up training within these businesses. To do this, we are relying on our colleagues from Russia and the U.S., who have experience attracting the interest of young professionals to work in manufacturing, and who know how to ensure stability and long-term career prospects for those who choose to work at the company.

We also want to help our young specialists broaden their horizons and take a more active part in company events. We hope that representatives from the European division will present at TMK's next scientific-practical conference for young professionals. ■





# TURKMENISTAN: FIERCE COMPETITION AND CONTINUOUS GROWTH

The fall of 2011 marks four years since Trade House TMK opened a branch office in Turkmenistan. During this time, the company has recorded a sevenfold increase in volume supplied to that country. This success is partly due to the rapid development of the Turkmen natural gas sector, which in turn has sparked growth in the consumption of pipe products. But TMK has managed to insert itself into this process and compete successfully thanks to the flexibility, resourcefulness, and professionalism of the employees at its small office in Ashgabat.

**T**urkmenistan is a country that possesses enormous raw material potential. Based on January 1, 2011 data, the country's proven gas reserves of 8 trillion cubic meters rank it fourth in the world, tied with Saudi Arabia and surpassed only by Russia, Iran, and Qatar. Moreover, based on an October 2011 independent re-audit of the reserves in the gigantic South Iolotan oil and gas field, Turkmenistan received official confirmation that the gas reserves in that field amount to between 13 trillion and 21 trillion cubic meters. That makes the South Iolotan field the second largest field in the world in terms of natural gas volume, second only to the Pars field in Iran and Qatar. It also makes the development of that field one of the most important tasks for the Turkmen government. The country's proven oil reserves are also quite encouraging at 100 million tonnes.

The export activity of the Turkmen oil and gas sector is extremely high. According to BP's annual global energy report, the country's gas production in 2010 was 42.4 billion cubic meters, with domestic consumption at 22.6 billion; oil production measured 10.7 million tonnes tons, with consumption at 5.6 million. Thus, 46 percent to 47 percent of the hydrocarbons produced in the country are exported.

Turkmenistan's enormous export potential is being brought to fruition by the steady development of pipeline projects and the diversification of export markets. The primary export market for Turkmenistan used to be Russia, but recently China has been moving into first place in terms of supply volumes. The first line of the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline has already been built. In connection with the confirmation of the South Iolotan reserves, it has been announced that gas supplies to China will increase threefold: from 17 billion to 65 billion cubic meters over the next four years. That will require a substantial increase in the capacity of the Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline. The Turkmen government is also exploring the possibility of supplying gas to European Union countries, which would require the construction of a trans-Caspian pipeline, a project that is still in the discussion stage. Future plans also include the construction of the TAPI (Turkmenistan-Afghanistan-Pakistan-India) gas pipeline at a cost of \$7.8 billion. That construction is slated to begin in 2012, so that the first natural gas can flow through the trans-Afghan pipeline in 2015.

The implementation of these large-scale pipeline projects is driving an increase in Turkmenistan's need for pipe supplies for oil and gas export pipelines. In anticipation of this trend, TMK made a decision four years ago to fundamentally change its manner of interacting with Turkmen clients by dealing directly with state companies

**A small office in Turkmenistan has managed to increase pipe sales volumes from 13,000 tonnes in 2007 (distributed primarily through intermediaries) to 80,000 tonnes (sold under direct contracts)**



TMK executives and the Turkmenistan office staff

that are major purchasers of pipe, companies such as Turkmenneft, Turkmengaz, Turkmengeologiya, Turkmenneftegazstroy, and Turkmenenergo.

Trade House TMK set up its Turkmenistan branch in September 2007, says CIS Sales Director Vyacheslav Rud, who heads up that branch office. "Before it opened, the Chairman of TMK's Board of Directors made a number of visits to Turkmenistan, including as part of a government delegation," he explained. "After several of those visits, the company became firmly convinced that it needed to establish its own foothold here, a small island from which it could forge long-term business relationships and increase supply volumes."

Virtually as soon as the branch office was opened, the company concluded a contract with Turkmenneft



COMMENTS



**Vyacheslav Rud,**  
CIS Sales Director,  
Trade House TMK:

"Our main objective is to hold on to our current share of the Turkmen pipe market. That may not sound too ambitious, but bear in mind the fierce competition in this market and its steady growth. The Turkmen market is exceptionally competitive. Besides Russian and Ukrainian suppliers, there are a lot of Chinese producers that have all the state-of-the-art technologies.

"I would say that in 2012 we have the potential to bring supplies up to the level of 100,000 tonnes a year, which would be approximately 20 percent to 30 percent of the market. We have an edge: we were one of the first to come in, and we applied—and still do apply—a creative approach in working with the Turkmen market, which is so unique. If we had gone the traditional route—seeing a call for bids, making a proposal, waiting for a response, getting the response, delivering according to the contract, and so forth—our volumes would probably be an order of magnitude lower than they are today. But we looked for different options. Today, one of our competitive advantages is that, first of all, we are capable of supplying a full line of pipe products with a wide range of sizes, and we provide a high level of quality and usability; and secondly, we always stick to a customer-oriented approach and guarantee supplies of a consistent caliber in a timely manner."

for the supply of 10,000 tonnes of large diameter pipe (LDP). More orders followed from Turkmengaz, Turkmenenergo, and other state companies. The efforts of the small Turkmen office have brought sales volumes up from 13,000 tonnes of pipe in 2007 (most of which was supplied through intermediaries) to 80,000 tonnes (supplied primarily through direct contracts). It is no coincidence that TMK was mentioned in a report by Turkmenistan's Ministry of Foreign Affairs, which was prepared in advance of a December 2011 meeting between Turkmenistan's President Gurbanguly Berdimuhamedow, Russian President Dmitry Medvedev and Russian Prime Minister Vladimir Putin that was held in Moscow. The report noted that in 2011, TMK enjoyed the second highest trade volume in the country in monetary terms following Gazprom.

Today, the Turkmenistan branch office of Trade House TMK has a staff of eight. This small team functions as company representatives, conducts direct negotiations,

**The Turkmenian market is open and highly competitive with no protective duties in place**



TMK has its representative office at Nebitchi Hotel within walking distance of the offices of the company's key customers: Turkmenneft and Turkmengaz

and drafts contracts. "The staff is international, it's a Russian-Turkmen team," said Tach Tadzhiev, first deputy director of the Turkmenistan branch office. "Both Russian and Turkmen employees work here. We get along well, we help each other out." The office is located in the Hotel Nebitchi (which means "Oiler"). "It's a nice,



**TachTadzhiev**  
Born in 1956 in Turkmenistan, he holds a graduate and PhD degree. He professed during the period between 1986 and 1996. In 1997-2007, he was involved in the rolled steel business. Since 2007, he has been first deputy managing director of TMK Trading House in Turkmenistan

comfortable hotel," said Tach Tadzhiev. "And by the way, Turkmenneft and Turkmengaz are within walking distance."

Because oil and gas is the most active sector in Turkmenistan, Turkmengaz and Turkmenneft are the main consumers of TMK's products. The company supplies Turkmengaz technicians with LDP, casing, and small and medium diameter line pipe. TMK has become a supplier of small and medium diameter welded pipe for the Turkmen program to expand natural gas services. It has already delivered 15,000 tonnes of pipe for that program, with another batch on the way. For oil and gas field development, TMK supplies a full line of products: tubing, drill pipe, and casing, including pipe with premium connections.

The products that TMK supplies to Turkmenistan meet the requirements of the Turkmen oil and gas sector and those that apply to pipelines designed to export raw materials from Turkmenistan. "We try not to let a single tender, a single call for proposals get by us," claimed Rud. The company intends to collaborate further with Turkmenistan in a variety of directions. "We are willing to consider individual requests from

HOT-TEMPERED AKHAL-TEKE HORSES



THE AKHAL-TEKE HORSE is a symbol of Turkmenistan. It is commonly portrayed on the national emblem, banknotes and mail stamps. This horse breed is one of the the oldest, going back some 3,000 years. The name of the breed originates from Akhal oasis, the home of a Turkmenian tribe of Teke, which never cross-bred. Quick, resilient hot-tempered and well-suited to the dry and hot climate, this horse can go without water for quite a long time. Akhal-Teke horses are known for their elegance, leanness and exotic Asian eyes. One of the unique features of this horse is its distinctive metallic fleece iridescence. There are only some 3,500 Akhal-Teke horses around the globe now.

Turkmen consumers and customize new pipe products for them," said Rud. "Our top priority in this market is large diameter pipe, small and medium diameter welded pipe, as well as threaded pipes, including pipe threaded with premium connections. We are also fostering scientific and technical interaction with our customers and with scientific research institutes that are plugged into the industry." Ambitious projects to develop Turkmenistan's natural gas reserves are already become more concrete; TMK is discussing the possibility of supplying pipe to China's CNPC, Turk-mengaz's South lolotan development partner. ■



# NEW THREAD LINE ROBOT IN WILDER IMPROVES EFFICIENCY AND SAFETY

On Sept. 1, managers and a crew of seven employees commissioned a new thread line at TMK IPSCO's facility in Wilder, Kentucky. The commissioning was a major milestone in a project that began in the spring when the company embarked on a program to improve operational efficiency at the Wilder facility and add value to its products.

all handled by robot, a task that is traditionally completed manually.

The robot that has been introduced at Wilder was manufactured by the Motoman Robotics Division of Yaskawa America, a firm that provides control and automation products to companies in a variety of industries. The unit used at Wilder was designed to move couplings ranging from 7 to 16 inches in diameter from pallets and load them into a coupling starter. An operator feeds two pallets containing 20-50 couplings to the robot per cycle, which are then emptied at a rate of approximately 15 seconds per coupling.

Improved efficiency comes not only from the automation of the process but also from a new vision system designed to eliminate any physical adjustments between each size of coupling, thus improving changeover time. An alarm system

alerts operators if dimensions in the system do not coincide with the size of the coupling.

More efficient processes are not the only benefit that the automation process has brought, however. Another major one is better safety conditions at the facility.

"The ergonomics of larger couplings were a serious safety concern due to weight as well as employees' proximity to moving machinery," said Michael Bergfeld, Thread Shop Manager at Wilder. "Now the coupling application process at Wilder is completely 'hands off.'"

As the thread line continues to ramp up production, it is expected that the robot will eventually handle up to 1,000 couplings per day.

"Although this is the first robot to be used at TMK IPSCO, we're very pleased with the results and are looking at introducing others as we upgrade the technologies at our other threading facilities," said Dave Diederich, Vice President and Chief Manufacturing Officer at TMK IPSCO. "Specifically, we are looking to use robots for the difficult job of grinding upsets, and another project would involve using robots to scan threaded pipe ends for high speed inspection." ■

## GROUND BROKEN ON NEW SLITTING LINE AT WILDER

On Dec. 7, senior executives from TMK IPSCO were joined by Kentucky Governor Steve Beshear, community leaders and officials from Ferrous Metal Processing to break ground on a new slitting line at the company's facility in Wilder, Kentucky. Designed to be the largest slitter in North America, the new .625" x 87" line is scheduled to start commercial production in the fall of 2012. Under an agreement signed between TMK IPSCO and Ferrous Metal Processing, the slitting line will be installed in a new 43,000-square-foot building that will be leased by TMK IPSCO to Ferrous. The slitting line will provide skelp to the Wilder ERW pipe mills. The slitter will be capable of processing master coils from 30" to 87" and up to 82,000 pounds. Slit width capacity will range from 12" to 85" in gauges from .156" to .625". Ferrous Metal Processing will own and operate the new facility and slit for TMK IPSCO on a toll basis.

Once completed, it is estimated that the new slitting operation could bring 20 new jobs to Wilder and the surrounding area.

"Companies like Ferrous Metal Processing will continue to choose Kentucky as a place to invest and expand," said Governor Beshear in his remarks at the ceremony, "and companies like TMK IPSCO will continue to make investments in their Kentucky communities. We are pleased to be part of their success stories."

One big advantage of the new agreement with Ferrous—a leading provider of hot rolled toll processing and cold rolled conversion services to service centers, OEMs and mills throughout the Midwest and southern U.S.—is that it will allow TMK IPSCO to benefit from Ferrous' proprietary slitter arbor technology.

"We've worked with Ferrous for years at a number of our facilities," stated TMK IPSCO President and CEO Vicki Avril. "They have very unique arbor technology that allows them to produce a very consistent, high



quality slit edge that is ideal for ERW pipe production. We're excited about having their technology on site in Wilder." TMK IPSCO has been making a number of capital improvements—including a new thread shop—at the Wilder plant to improve operational efficiency and add value for its oil and gas industry customers.

"We are very excited to be continuing to expand our operations in Northern Kentucky," said Avril. "Between the government support and the talented workforce here, we should be able to turn what has been a struggling operation into one that is financially viable, superior in quality and competitive in our industry. It's a win for the state, for this community, for our company and for these employees."



# PREMIUM SHOP No. 1

TMK continues to expand its technical capabilities to manufacture premium products. In October, the Orsky Machine Building Plant opened a new shop to produce casing with premium connections. The plant has designated the new production floor as Shop No. 1.

**M**anufacturing high-tech products for the oil and gas industry is one of the most important segments of TMK's business. Practically all TMK facilities in Russia are involved in producing pipe with gas-tight premium connections. The same goes for TMK's operations in America as well, which produce pipe with ULTRA™ Premium Connections. Now the Orsky Machine-Building Plant has gotten in on the act to build up this strategic product line for TMK. "We were already making products for oil and gas companies before: tool joints, tubing collars, drill pump parts, hydraulic cylinders, etc.," said the plant's managing director, Alexander Rozhkov. "Now that we have this new shop ready to produce casing with gas-tight connections, we will expand the company's product line and give TMK greater opportunities to provide not only products for well construction, but to perform servicing, too. The design capacity of the new shop is 24,000 tonnes of assorted types of casing per year." Rozhkov is also convinced that "the launch of this new shop represents one more step forward in the plant's technical, intellectual, and business development, and it goes hand in hand with TMK's strategy to increase its output of high value-added products."

Work began in July 2010 to set up the premium production shop at the plant in Orsk. Since then, buildings have been reconstructed for the new shop and high-tech imported and domestic equipment has been purchased and installed. The new equipment includes Japanese OKUMA threading machines; an American CLEBU collar threading machine; a pipe end-facing machine; a blasting line; rolling tables with pipe handlers; and other equipment. The plant's staff did a lot of this work themselves, from drafting the equipment

layout blueprints to manufacturing some equipment—for example, an induction heating unit, as well as pipe conveyors and racks that link the entire assembly line for the new products.

All of the plant's technical services took part in setting up the new shop: specialists from the offices of the chief designer and production manager, along with mechanics, power engineers, precision engineers, the departments of preproduction, facilities maintenance and repair, package and crating production, mechanical repair shop No. 6, and power supply shop No. 7.

Contractors performed construction and assembly work.

As the OKUMA machining centers were being installed and commissioned with the help of American specialists, the plant's personnel were being trained. Representatives of the Pumori Engineering Invest company, which has a successful track record of introducing new technologies in the machine-building sector, taught operators, mechanics, and electrical engineers the fundamentals of technical maintenance and operation of the new equipment. The trainees were mainly of the younger generation, which is vital for today's manufacturing industry.

"The people employed in the show now are plant specialists trained to work in a new manufacturing environment. In the future, we will need flaw detection specialists; we don't have any at the plant, and in fact there are none in the region. We will also be training people," said Alexei Ivanchenko, the manager of Shop No. 1. "We haven't had a shop like this at our plant before, so there's a lot that has to be started from square one. But this is important for our company—it means more work, added profits and new jobs."

Ivanchenko says that the shop is presently developing technologies for the entire production chain. It has already perfected the processes of making TMK FMC, TMK GF, and TMK PF 168 mm and 245 mm threaded casing. Future plans involve expanding the product line by turning out smaller diameter casing, as narrow as 114 mm. Besides the TMK family of premium threads, the Orsky Machine-Building Plant will also be cutting ULTRA Premium Connections. The plant has already started learning the ULTRA premium manufacturing process under the guidance of TMK IPSCO.

"Our shop gets so-called green tube from the Volzhsky Pipe Plant, TAGMET (Taganrog Metallurgical Works), Seversky Tube Works, and Sinarsky Pipe Plant," said Ivanchenko. "Here, they go through finishing operations: pipe end facing, threading, inspection of connections, assembly with collars, labeling, and packing." He states that the shop will be outfitted with even more



⚡ Pictured (from left to right): chairman of the defense committee of the Russian State Duma Victor Zavarzin, Orsk City Mayor Victor Frantz, head of department of primary industries of the Russian Ministry of Industry and Trade Victor Semenov and managing director of Orsky Machine Building Plant Alexander Rozhkov

equipment, to perform tasks such as magneto-luminescent fluid inspection of pipe threaded ends and hydro-testing the pipe/collar joint for leaks.

Along with the setup of the new production floor for premium casing, the plant is also upgrading its existing shops that serve the oil and gas industry. As part of a project to upgrade the production of tool joints, the Orsky Machine-Building Plant has concluded contracts for delivery of equipment from Italy. Olivotto has manufactured a rotary hearth furnace for the plant to be used in forging the moldings of tool joints; the furnace is scheduled to be assembled and brought online in the second quarter of 2012.

Projects under development include the construction of a state-of-the-art shop floor to produce collars for casing with regular and premium connections; an area for coating tool joints with wear-resistant finish and hardening tool joint threads; and a shop to manufacture specialized components for well drilling and operation—various types of drill string subs and crossover joints, along with landing joints and other components. As part of one project, a machining center to produce casing pipe collars will be assembled and brought online. Further development at the plant is linked to the oil and gas sector and is being reviewed in the context of TMK's overall product line. ■



# SAKHALIN'S HIGH STANDARDS

The 15th annual Sakhalin Oil and Gas Conference was held in Yuzhno-Sakhalinsk on September 27–29, 2011. TMK representatives actively participated in forum events, exhibiting the premium connections produced by the company's Russian and American divisions. Demand among oil and gas operators who are developing the Sakhalin shelf is very high: offshore drilling accounts for 38 percent of the world's market for premium-class oil and gas pipes. Meanwhile, the Russian government intends to step up shelf development to the point of producing up to 16 percent of all oil and 35 percent of gas there by 2030.



**T**he annual forum, which focuses on issues of hydrocarbon production on the Sakhalin shelf, is traditionally of great interest in business circles. It draws participants from leading oil and gas companies and financial institutions in Russia and throughout the world. Representing

TMK at the conference was company and premium division senior management—Piotr Galitzine, Chairman of TMK IPSCO; Paul Fullerton, Vice President of Premium Products and Services at TMK IPSCO; Vitaly Rubel, Executive Director of TMK Neftgazservice; Sergey Rekin, General Director of TMK-Premium Service; and Sergey Alekseev, Technical Sales Manager at TMK-Premium Service.

Piotr Galitzine's talk proved to be one of the most interesting and lively presentations at the session on "Innovative Technologies and Solutions for Sakhalin Offshore Projects." The head of TMK's American division presented a comprehensive overview of the global oil

**Sakhalin boasts enormous oil and gas reserves. Premium-class pipes are vital for hydrocarbon exploration and production on the shelf**

and gas production sector, noting that hydrocarbon production conditions in various parts of the world are becoming more challenging. He also talked about practical applications of TMK Premium pipe in complex oil and gas projects, including offshore projects.

One problem in the upstream sector is the depletion of fields in areas where oil has traditionally been produced. This holds espe-

cially true for Russia where today, Galitzine noted, the average yield per well is lower than in most other oil-producing countries: 75 barrels a day, versus 83 for Pacific Rim countries and 1,804 in the Middle East. To stabilize production, oil engineers working in developed fields are forced to invest ever greater resources, primarily in drilling new wells. The volume of drilling work in new fields is increasing as

well—not only in traditional oil-producing regions, but also in new regions, such as eastern Siberia. It is projected that by 2015, these regions will yield 17 percent of all oil produced in Russia, which is almost three times more than their share in 2010 (6 percent). Overall, it is expected that in 2011 total capital expenditures in the upstream sector by Russia's major oil companies will exceed \$30 billion.





adding 75,000 people to its middle class every day, it's clear that hydrocarbons will remain crucial as people around the world seek to achieve the same living standards that Western societies have come to enjoy," said Galitzine. "Energy companies are responding to this growing demand by moving into a new frontier of oil and gas production, the Eurasian and North American side of the Arctic. The difficult drilling and extracting conditions in this new frontier demand more and better pipe, and TMK's lines of Russian and ULTRA™ Premium Connections are well positioned to meet producers' needs."

Galitzine's presentation stirred up intense interest among conference participants and drew their attention to the possibility of using the TMK Group's premium connections, which already have proven their reliability in horizontal drilling, SAGD, and other complex oil and gas production technologies. What's more, the high quality of TMK Premium and ULTRA Premium Connections has been confirmed by their ISO 13679 CAL IV certification. The CAL IV level, which indicates the conditions under which connections can be used, is the highest testing level for connections in pipes used for hydrocarbon production. In 2011, TMK PF premium connections in 245 mm and 178 mm pipes were successfully tested for compliance with ISO 13679 CAL. This confirms the fact that the TMK PF line can hold its own with other manufacturers' premium connections in terms of strength properties. ULTRA QX, produced by TMK IPSCO, is also certified. ULTRA QX connections are designed mainly for use with high-viscosity oil production.

In its conference exhibit, TMK demonstrated premium connections produced by its Russian and American divisions. TMK's exhibit attracted considerable attention from conference attendees, since the very nature of Sakhalin projects demands the level of pipe product quality guaranteed by TMK: all of these projects involve offshore drilling under challenging geological conditions. At its

The steadily increasing need for drilling, along with the increasing sophistication of oil production technologies, is driving higher demand for high-tech pipe products. According to Galitzine, the amount

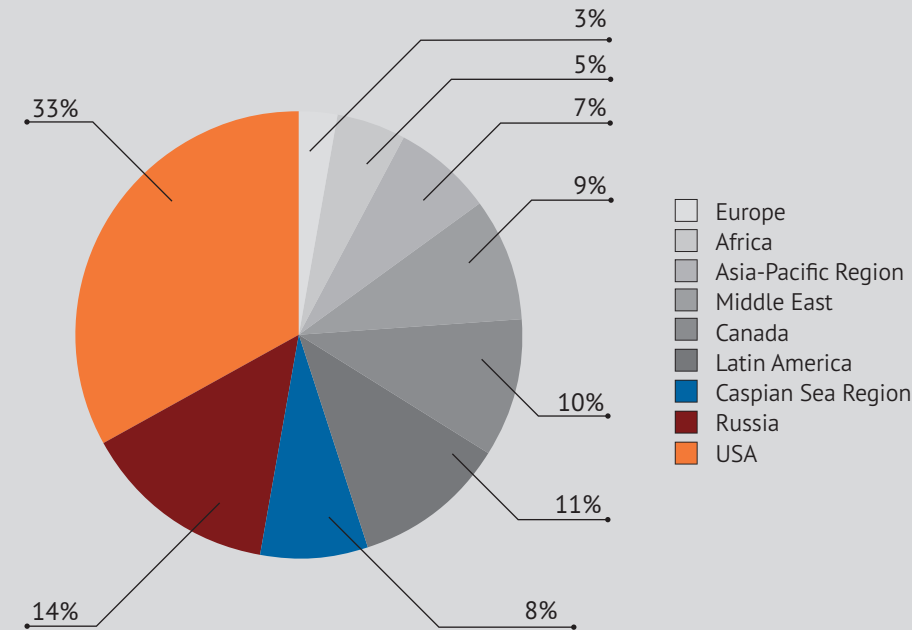
of horizontal drilling in Russia will double in the next five years, which will increase production companies' demand for premium pipe whose quality is capable of handling the task at hand.

The situation is similar in the U.S., where the amount of horizontal drilling is increasing in proportion to the rise in shale oil and gas production. In 2010, shale gas accounted for 34 percent of all gas production in the U.S. It is more technically challenging to produce shale gas than to produce conventional natural gas, because the process requires the use of advanced technologies: multiple hydraulic fracturing and horizontal well drilling. According to Baker Hughes, in August 2011, 58 percent of the drilling rigs in operation in the U.S. were engaged in horizontal drilling. Another current technology that requires especially high-quality pipes and connections is Steam Assisted Gravity Drainage (SAGD), which is used for the development of oil sands. Canadian oil sands are a significant source of imported oil for the U.S., and their importance is steadily growing. According to projections from IHS Cambridge Energy Research Associates, by 2030, 36 percent of the oil imported into the U.S. will come from Canadian oil sands. The demand for pipe products to produce hard-to-extract hydrocarbons will grow accordingly.

"With China absorbing 50 percent of all new oil production worldwide since 2000 and India

### FOCUS ON THE LEADERS

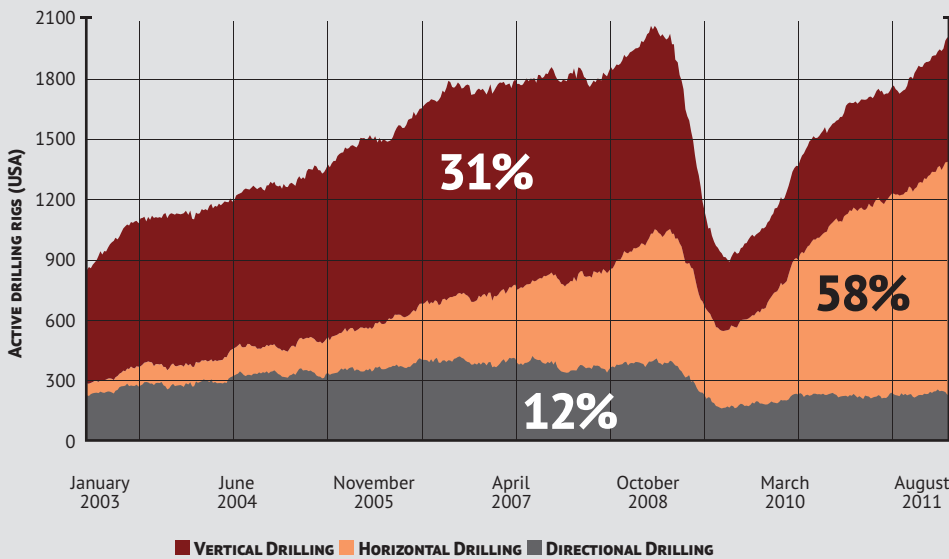
REGIONS WHERE TMK'S PRODUCTION OPERATIONS ARE PRESENT (RUSSIA, CASPIAN SEA REGION AND USA) ACCOUNT FOR 55% OF THE GLOBAL DRILLING ACTIVITY



SOURCE: M-I SWACO

### PREMIUM PRODUCTS TO PAVE THE WAY TO THE FUTURE

DEMAND FOR PREMIUM PIPE PRODUCTS IN THE U.S. IS GROWING AS A RESULT OF HIGHER HORIZONTAL DRILLING VOLUMES



SOURCE: BAKERHUGHES

booth, TMK held business meetings with representatives of such major companies as Gazflot, Weatherford, Halliburton, Tuboscope, Kverner, and Kentech. TMK representatives also gave an expanded presentation of premium products at the office of Sakhalin Energy.

### SAKHALIN: RICH IN OIL AND GAS

Sakhalin is one of the most dynamically developing regions of offshore oil and gas production in Russia. Hydrocarbon deposits were discovered on the Sakhalin shelf in the 1970s and 1980s. Exploratory studies identified nine separate oil- and gas-bearing areas, which were numbered sequentially from Sakhalin 1 to Sakhalin 9. The only Sakhalin projects that have moved on to the production stage are Sakhalin 1 and Sakhalin 2. The Sakhalin 1 operator, Exxon Neftegas Limited (whose shareholders are the U.S.'s ExxonMobil, Russia's state-run Rosneft, Japan's Sodeco, and India's ONGC), is producing oil and gas in two out of its three license blocks—the Chayvo and Odoptu fields. Oil produced in 2010 amounted to 6.98 million

tonnes; the total for gas was 8.3 billion cubic meters. The concurrently operating Sakhalin 2 project includes not only oil and gas production, but also high-tech gas processing (liquefaction) and export of liquefied natural gas (LNG) by sea to Pacific Rim countries. The operator of Sakhalin 2, the Sakhalin Energy consortium (whose shareholders are Russia's Gazprom, Shell, and Japan's Mitsubishi and Mitsui), shipped 10 million tonnes of LNG and 6 million tonnes of oil to consumers in 2010. Intensive geological exploration work is ongoing under the Sakhalin 3 and Sakhalin 5 projects.

"The oil and gas plays on and off Sakhalin Island are megafields: there are gas wells in offshore waters that produce a billion cubic feet a day, or roughly what an average Texas gas well produces in three years," Galitzine said, emphasizing the importance of Sakhalin Island itself. "There is the longest horizontally drilled well in the world, as well, reaching a total horizontal length of 12,345 meters. There is also the fact that Sakhalin today liquefies 5 percent of the world's LNG—and this is with only



two out of a potential five liquefaction trains up and running in Korsakov, in the south of the island.”

For the near future, Sakhalin will remain the base for developing offshore reserves in the Sea of Okhotsk. Those reserves are estimated to include 409.4 million tonnes of oil, 1.2 trillion cubic meters of gas, and 86.8 million tonnes of gas condensate. The Sea of Okhotsk is considered the richest sea in Russia in terms of condensate reserves. Planned investment to develop the Sea of Okhotsk shelf from now to 2030 comes to 583 billion rubles.

The Sakhalin shelf projects consume a significant amount of metal in the form of pipe products. That consumption includes more than just the undersea pipelines that lead from field to onshore infrastructure, although those lines are often quite long when their overland segments are taken into account. For instance, the total length of piping used for Sakhalin 2 comes to over 800 kilometers (including two lines—oil and gas), because production takes place at wells off the northern tip of the island, whereas the processing facilities and transport terminal are located in the south of the island, closer to the main export thoroughfares. The total demand for large diameter pipes alone for the construction of Sakhalin 1 and Sakhalin 2 infrastructure has been estimated at 1 million tonnes. The most important thing, however, is that these products are OCTG-grade pipe. The geological exploration and development of the shelf require not only an enormous quantity of specialized oil and gas pipe products, but also place especially high demands on pipe quality and safety.

THE SHELF DEMANDS THE BEST

Offshore areas continue to be a stable source of hydrocarbons throughout the world. At this point, 33 percent of all the oil produced in the world comes from offshore fields; by 2020, that number will grow to 35 percent. Deep-water fields are quickly assuming greater

importance in the big picture: although only 2 percent of production came from deep-water areas in 2002, that proportion has already grown to 10 percent. What’s more, it is anticipated that after 2015, the deep-water sector will be showing the only stable growth in the industry.

Russia’s offshore reserves are estimated at 1.22 billion tonnes of oil, 11 trillion cubic meters of gas, and 250.6 million tonnes of gas condensate. These reserves are slated for large-scale development over the next 20 years. According to the most recent development program for Russia’s continental shelf, 40 million to 80 million tonnes of oil and 190 billion to 210 billion cubic meters of gas are to be produced on the shelf by 2030. According to the Ministry of Natural Resources, between 6 trillion and 7 trillion rubles will be invested in Russian shelf development during that time.

Development of the continental shelf will go hand in hand with increased spending on offshore drilling worldwide: an average increase of 6.6 percent per year, according to GBI Research. GBI’s analysts report that cumulative investments in shelf drilling from 2009 to 2015 will come to more than \$490 billion.

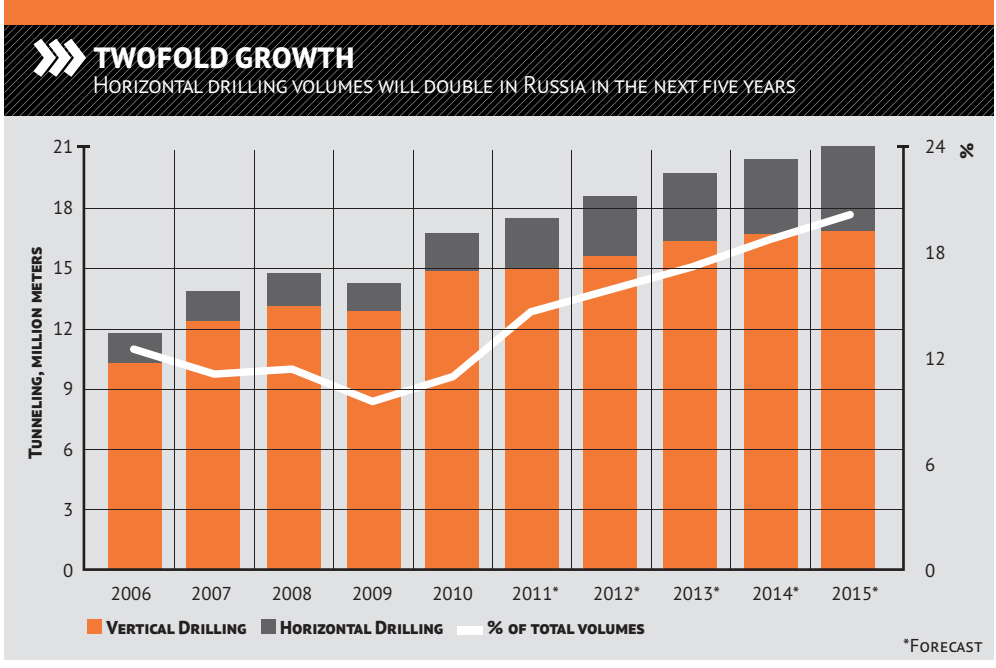
A significant part of these funds will go toward purchasing pipe products. Geological exploration and hydrocarbon production on the shelf require especially high-quality pipes and threaded connections. That level of quality is necessary to ensure safety, both for workers and for the environment. Such quality is guaranteed by pipe products with premium connections.

READY TO WORK

TMK proved long ago that its lines of TMK Premium and ULTRA Premium Connections fully meet the tough requirements of offshore oil and gas production. For example, in March 2011 TMK ran pipe with TMK FMT premium connections at the Korchagin offshore oil and gas condensate field in the Caspian Sea, which is begin developed by LUKOIL. After the pipe was run, the



column was subjected to a leak test pressure of 200 atmospheres for 30 minutes. Not a single pipe was rejected by the customer as defective as a result of testing. TMK continues to collaborate with LUKOIL by supplying premium connections. In late April, TMK-Premium Service and the oil giant arranged for industrial testing of casing with TMK PF connections to determine their potential for future use in offshore drilling. Earlier in 2011, TMK ran pipe with TMK PF premium connections down an offshore well at a platform in Vietnam for Zarubezhneft. Back in 2010, TMK became a qualified supplier for Shtokman Development, which will allow it to provide future supplies to one of the most important Russian projects in the gas sector and



the first project to be carried out on the Arctic shelf.

TMK is not a newcomer to Sakhalin. It has worked with Sakhalin operators to supply line pipe and OCTG. In 2010, TMK shipped seamless line pipe to Gazprom for the construction of an undersea pipeline from the Kirin field (Sakhalin 3).

In 2011, TMK supplied Sakhalin-morneftegaz (a subsidiary of Rosneft) with tubing threaded with TMK FMT connections.

In addition, Shell (a Sakhalin Energy shareholder) is now reviewing TMK’s Russian plants to qualify them as OCTG suppliers for its projects. When TMK specialists met with Sakhalin Energy representatives during the conference, the parties agreed to continue that work.

An important focus of TMK’s work during the conference was the development of relationships with potential licensing partners. TMK has been working continuously to expand its license network. Licensees of TMK-Premium Service today include both Russian and foreign companies. TMK provides its licensees with technologies to cut TMK threads and grants.

Because Sakhalin shelf projects are unique in their technological complexity and large scale, operators working on the island have engaged the services of major international oilfield services and engineering contractors, such as Smith Services (a subdivision of Schlumberger), Weatherford, Halliburton, and others. These companies have a great deal of well service experience, as well as a wide circle of clients. TMK associates met with representatives of these companies at TMK’s conference booth and at the companies’ Sakhalin offices; Smith Services also arranged for TMK specialists to take a tour of its machine shop. As a follow-up to these meetings, according to Sergey Rekin, TMK-Premium Service General Director, TMK will consider issuing licenses for its premium connections to Smith Services and Weatherford. Such relationships would foster collaboration with major operators in this promising oil- and gas-rich region. ■



# RECRUITING THE NEXT GENERATION

For many U.S. manufacturing companies, finding the right talent can be extraordinarily challenging, especially when such efforts are coupled with a number of retirements on the horizon and a fewer number of college students enrolling in science and engineering programs.



**T**MK IPSCO faces recruiting challenges on several levels. First, it is still a relatively young company and is still building its corporate infrastructure. Second, like many manufacturers in America, TMK IPSCO is facing a “demographic squeeze” in which skilled baby boomers are starting to retire without a plentiful supply of professionals to fill the talent pipeline. Third, TMK IPSCO is adding more engineering talent to the organization to build on innovation for customers around the world.

In order to meet these challenges, TMK IPSCO has developed a series of programs to attract and recruit college students both now and in the future. This past summer, TMK IPSCO held a newly designed internship program, which brought 10 undergraduate and graduate students in engineering fields to the company’s facilities in Blytheville, Arkansas; Camanche, Iowa; Baytown, Texas; and Wilder, Kentucky. These men and women took part in a variety of “real work” assignments lasting 10-12 weeks, and their projects both gave them valuable experience and brought lasting benefit to the company. The program was so successful that three of last summer’s interns have since been offered and accepted full-time positions at TMK IPSCO.



Based on this success and feedback from managers at the company’s facilities, as well as from the interns themselves, TMK IPSCO is planning to expand the program for 2012 and intends to give interns not only a thorough immersion into the local site where they work but also exposure to other locations within TMK IPSCO. Regular conference calls to involve interns in discussions about their projects and relevant developments in the industry will also be held. The company will continue last summer’s practice of inviting interns to the company’s headquarters in Chicago to make final presentations before the executive leadership. Managers and project supervisors at each facility will be closely involved in all stages of interns’ experience, from project planning to execution and personal professional development.

In addition to the internship program, TMK IPSCO has launched a targeted on-campus recruiting program at four select universities. The goal of this program is to build relations with faculty and career offices at universities specializing in metallurgy, mechanical engineering and electrical engineering, as well as other specialties as identified. Key parts of this program involve TMK IPSCO HR and hiring manager representatives discussing job opportunities at career fairs, conducting on-campus interviews and holding information sessions for interested students.

Finally, TMK IPSCO has been aggressive in using technology in its recruiting efforts. Social media sites like LinkedIn have proven to be an excellent way to both locate and maintain communication with potential applicants and interns alike. TMK IPSCO is in the process of building a robust applicant-tracking system that will prove highly advantageous as it works to break the “demographic squeeze” and welcome the next generation of specialists and managers. ■

# A PLACE FOR YOUNG PEOPLE AT TMK

A stable salary, benefits, and opportunities for professional growth are undeniably factors that make an employer attractive. But there are other reasons why young people find it interesting to work at TMK. Both at work and outside their daily jobs young people have opportunities to prove themselves. A youth event that TMK holds every year at its Burgas retreat center in Sochi, Russia offers young specialists one such opportunity to show off to their peers in professional workshops, as well as in arts and athletic competitions.

**P**rofessional trainings is one of the most important problems facing the metals industry today, both in Russia and in many other countries. One part of this problem is the lack of graduates from institutions who are prepared to work in the industry. Another is the aging employee base at production facilities. All of this is leading to a decline in employee numbers in general. According to Rusmet, an industry group, the number of individuals in Russia who are employed in metals manufacturing fell to 968,000 in 2010, a decrease of 3.2 percent over the previous year. According to the World Steel Association, which includes the world’s largest companies as members, the average number of instruction hours per employee has steadily declined in the last four years, from 11.1 in 2011 to 6.7 in 2010—a 40 percent drop worldwide!

“In thinking about the prospects of the mining and metals industry in Russia, Europe and elsewhere around the world, we have to focus on young people,” said Yuri Karabasov, Deputy Chair of the Russian State Duma Committee on Education and President of the MISIS National University of Science and Technology. “The problem of ensuring an employee base in the mining and metals industry is a global problem.”

**YOUNG RESEARCHERS**  
As one of the largest employers in the metals industry, TMK takes an all-encompassing approach to the



issue of training employees. Educational programs, training sessions, scientific and practical conferences have all been designed especially for TMK in order to ensure continuity in a base of employees who are engaged in metallurgy, engineering and management. At the end of October, a youth event that TMK holds every year at its Burgas retreat center in Sochi took place with considerable fanfare given that it was held in connection with the company’s 10th anniversary celebrations. The program included the annual scientific and technical conference, a “young masters” competition, and even a basketball tournament and arts competitions.

The company creates a positive environment for young people to develop their talents in scientific research, the arts and athletics

The TMK youth scientific and technical conference is an annual event that is intended to stimulate professional growth in young employees, encourage them to take





This year's conference was unique in that for the first time it was international in nature

greater interest in research work and involve them in finding solutions for actual issues that come up in manufacturing operations. This year, approximately 100 young employees from the company's operations, sales, service and research divisions took part in the conference. Employees presenting their work for review by expert committees competed in 10 sections. The topics of papers presented covered everything from the improvement of technological processes to management of financial resources to employee training.

TMK's Vice President for Organizational Development, Nikolai Kolbin, noted the quality of preparation and subject matter coverage has been improving with each year. Traditionally, 70 to 80 percent of the proposals made at the conference are implemented at TMK facilities, which results in considerable economic benefit to the company's operations.

This year's conference was unique in that for the first time it was international in nature, with the company's American division, TMK

IPSCO, taking part. Phil Huseman, an engineer from the company's facility in Ambridge, Pennsylvania, took second place for his presentation in the pipe-rolling section.

"It was really interesting to take part in this event, where young people from all over TMK meet," said Huseman. "We offer new ideas and new methods that help us with our work. TMK's pipe-manufacturing facilities on different continents encounter similar problems, and meetings like this really help us to improve production processes." ■



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TMK is a leading global manufacturer and supplier of steel pipes for the oil and gas industry, operating 24 production sites in the United States, Russia, Romania and Kazakhstan and two R&D centres in Russia and the USA. In 2011, TMK's pipe shipments totaled 4.23 million tonnes. The largest share of TMK's sales belongs to high margin oil country tubular goods (OCTG), shipped to customers in 85 countries. TMK delivers its products along with an extensive package of services in heat treating, protective coating, premium connections threading, warehousing and pipe repairing.

TMK's ordinary shares are listed on Russia's major stock exchange – MICEX-RTS. Its GDRs are traded on the London Stock Exchange, and its ADRs – on the OTCQX International Premier trading platform in the U.S.



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