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CEO's Letter

Among recognized global steel pipe manufacturers, the Company ranked first by volume of products shipped



ОАО ТМК
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CEO

Dear Ladies and Gentlemen,

TMK enjoyed strong performance in 2010. Among recognized global steel pipe manufacturers, the Company ranked first by volume of products shipped, increased its share on the world market, strengthened its activity in the premium segment of the business, implemented important projects in the oil and gas sector, and made new high-tech innovations.

Over the course of 2010, TMK sold 3,962 thousand tonnes of steel pipes, an increase of 43% in comparison to 2009. The OCTG segment demonstrated confident post-crisis recovery. On the whole, the growth of OCTG sales in 2010 over 2009 stood at 43%. All of 2010 saw high demand on the Russian market for large diameter pipes thanks to the wide-scale investment programs at Gazprom and Transneft, which allowed TMK to increase sales of large diameter pipes to 700 thousand tonnes in 2010, an increase over sales in 2009 by 125%.

TMK IPSCO, the Company's American division, sold 804 thousand tonnes of products in 2010, which is more than double the level of 2009. TMK's share on the American market for OCTG was 14% in 2010.

Strong demand from oil and gas companies was also observed for premium connections, an important segment for TMK. TMK shipped 397 thousand premium connections, which were developed by the Company's Russian and American divisions. This is a 27.2% increase over shipments made in 2009. TMK maintained a strong position on the North American market for premium connections, shipping more than 295 thousand ULTRATM Premium Connections, 36.5% more than in 2009.

In 2010, output at TMK's production facilities increased significantly, mainly due to the commissioning of new equipment as part of the Strategic Investment Program. In particular, productivity of the continuous PQF mill at Taganrog Metallurgical Works (TAGMET) reached 42 thousand tonnes per month, and the longitudinally welded large diameter pipe mill at the Volzhsky Pipe Plant has shown strong performance.

The Company has continued its investment activities aimed at modernizing all stages of the production process: steelmaking and production of billets, seamless pipes, large diameter pipes, pipes for industrial use, and finishing operations. Last year, TMK's facilities introduced investments that included a reconstructed sec-

tion of Volzhsky's rolling mill #3, the installation of continuous casting and a section to produce couplings at Volzhsky, a shearing press in the drop hammer plant at Seversky Tube Works, a straightening machine at the #2 tube-draw shop and a section for nondestructive testing of couplings at the Sinarsky Pipe Plant, the installation of vacuum degassing at TAGMET, and lines to thread ULTRA Premium Connections at plants in the U.S. cities of Brookfield, Ohio and Catoosa, Oklahoma. The Company also developed many new types of pipes that are in demand by consumers, in particular, high grade drill pipes with the twin-pillar interlocking TMK TDS connection, tubing with the gas-tight TMK FMT Premium Connections, T95 grade tubing for sour service, seamless pipes for the Portovaya Compressor Station at the Nord Stream pipeline project, and others.

In accordance with the strategy to increase sales volumes of high-tech OCTG, premium connections, as well as to increase the share of these products in the Company's product mix, the Company expanded its market presence in complex drilling projects, including offshore projects. In 2010, TMK carried out the first deliveries of pipes for offshore fields, in particular, to Lukoil's project in the Caspian Sea and to Zarubezhneft in Vietnam. The Company is developing a program to participate in the development of offshore fields, including fields located in northern and Far Eastern regions.

A new stage in the development of research and academic ties at TMK has been the participation in the Industrial Liaison Program (ILP) at the Massachusetts Institute of Technology (MIT), which is intended to initiate joint research on key topics and business development trends. TMK is the first and only Russian participant in the elite MIT program, which involves approximately 200 major companies worldwide. To further strengthen its position in the area of innovation, TMK has begun construction of a research center in Houston, Texas (USA), which will be developed in parallel with RosNITI. This new research center will develop and test the latest products, including those used in offshore projects.

In 2010, TMK shored up its financial position significantly. Thanks to the work carried out to optimize the Company's loan portfolio, its share of long-term liabilities has almost doubled over the past year and a half to 82%. This will allow the Company to work more comfortably with its debt load going forward, gradually reducing it.

TMK has invested heavily in employee development, benefits, and special social projects for employees, as well as in charity projects.

In 2011, TMK celebrated its 10th anniversary. For 10 years the company has made vast efforts to modernize production and now has the world's largest capacity to manufacture a wide range of products. TMK is actively developing promising business segments, such as premium connections and high-margin seamless OCTG. It offers its customers a wide range of services, and is also focusing on developing the production of stainless steel pipes. All of this allows TMK to look into the future with confidence and continue to work as a stable and efficient company that operates in the interests of its customers and partners, adheres to high business standards and ensures that its goals are successfully implemented.

