



**UNITED
METALLURGICAL
COMPANY**

**Joint Stock Company
"United Metallurgical
Company"**

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«Объединенная
металлургическая
компания»**

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№ 12028-У-426/14 от 17.09 2014 г.

на № _____ от _____ 20__ г.

Concerning possibilities of cooperation
with enterprises of the Republic of Taiwan

The Embassy of The Republic of
Taiwan
The Moscow-Taipei Coordination
Commission on Economic and
Cultural Cooperation

Dear Sirs,

United Metallurgical Company, JSC (hereinafter OMK) is one of the largest producers of pipes, valves and fittings in the Russian Federation (hereinafter Russia).

OMK comprises seven large industrial enterprises in the territory of the Russian Federation as well as the USA (Houston, Texas). OMK supplies its products into 40 countries all over the world. More than 27 thousands people work at OMK enterprises.

Today OMK actively implements its strategy of integrated supplier for the Russian oil-and-gas companies. OMK is one of the largest suppliers of Gazprom with long-lasting and fruitful collaboration.

Taking into account import substitution policy and high demand on oil and gas equipment on the Russian market we are considering potential partnerships with foreign companies for local manufacturing. The products of potential cooperation are:

- high-tech equipment for oil-and-gas production (including offshore);
- large-diameter valves (ball, gate and control valves);
- valves for sour service applications (offshore, fields with increased content of hydrogen sulphide, carbon dioxide and high pressures).

We kindly ask you to provide us with assistance in making contacts with potential partners in the Republic of Taiwan that work in these sectors.

Attachment: 1. Presentation of OMK, JSC.

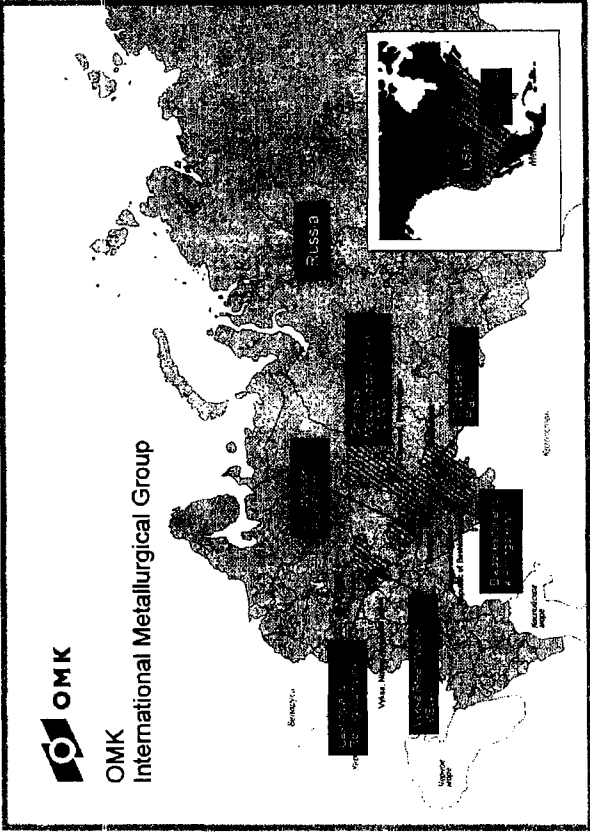
Strategic Development Director,
Valves and Fittings Division

Dmitry Chuev

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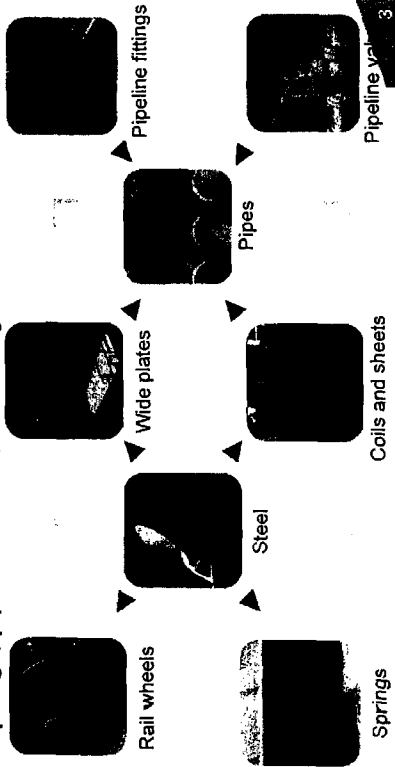
OMK

United Metallurgical Company (OMK)
Moscow, 2014

A black and white photograph of industrial machinery, possibly a conveyor belt or processing equipment, with the OMK logo overlaid on the left side.



High-tech integrated manufacturer of steel sheets and plates, rolled steel, pipes, rail wheel-sets, automotive springs, pipeline valves, and fittings

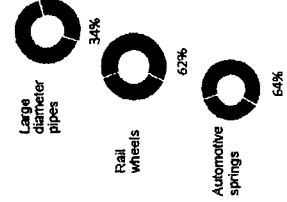


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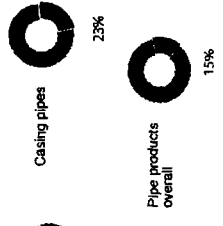


Leading Positions on the Russian market

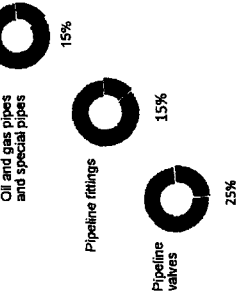
Rank 1



Rank 2



Rank 3



The most experience in supplying pipes for subsea pipelines
 The steel - alloys - pipes - pipeline fittings - pipeline valves
 Comprehensive approach to meeting the needs of Russian and foreign oil, gas and transportation companies

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Leader in Key Market Segments

Leadership in the pipe market

In 2014, OMK signed a contract to produce more than 200 kilometers of large diameter pipes for the first line of the South Stream sea section.

16 scrap yards in Russia

In 2014, OMK signed a contract to produce more than 200 kilometers of large diameter pipes for the first line of the South Stream sea section.

2.7 million tons a year capacity of LDP lines

Production of large diameter pipes for the first line of the South Stream sea section.

2 million tons a year capacity of LDP lines

Production of large diameter pipes for the first line of the South Stream sea section.

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Production of large diameter pipes for the first line of the South Stream sea section.

Leadership in the rail wheel market

The world's largest volume of rail wheel production

850 thousand units a year

Production of large diameter pipes for the first line of the South Stream sea section.

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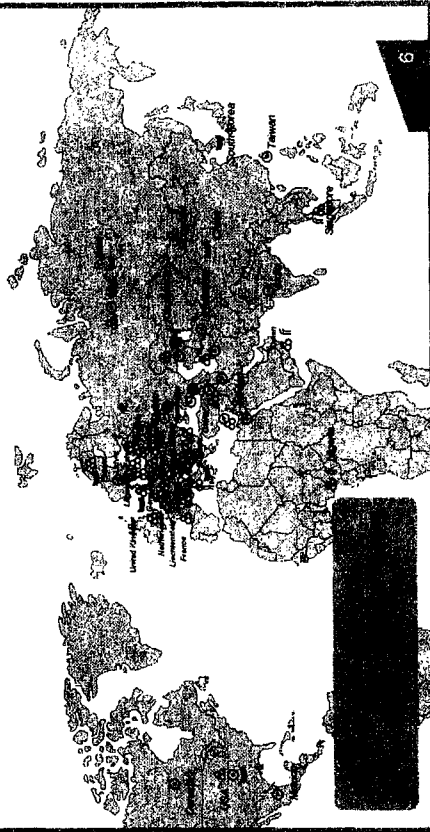
Production of large diameter pipes for the first line of the South Stream sea section.

Production of large diameter pipes for the first line of the South Stream sea section.

Production of large diameter pipes for the first line of the South Stream sea section.



Delivering Products to More Than 30 Countries



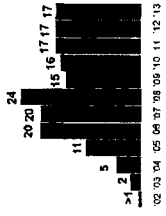


Investment for Sustainable Development

OMK allocated **163 billion rubles** for investment projects in 2002-2013

- Key projects**
- Construction of the Heavy Pipe Mill 5000: 45 billion rubles
 - Construction of the Casting and Rolling Complex: 30 billion rubles
 - Construction of sophisticated LSP pipes: 15 billion rubles
 - Upgrade of medium diameter pipes production: 5 billion rubles
 - Reconstruction of VSW wheel-rolling facilities: 1.8 billion rubles
 - Reconstruction of OMK Tube finishing center: 5 billion rubles
 - Upgrade of pipeline fittings production: 5 billion rubles

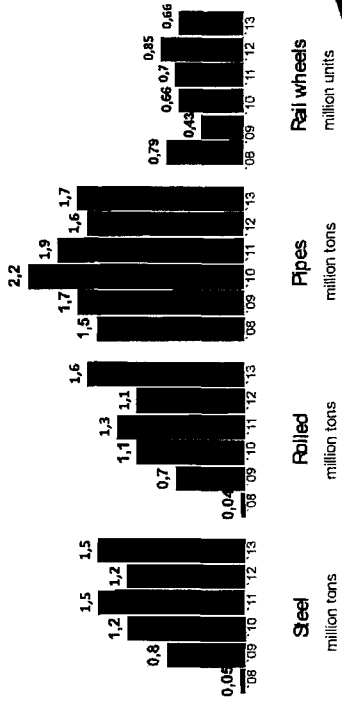
Today's key investment project construction of pipe-steelmaking complex in Chusovoi (Perm region). Investments of **billion rubles**



Capex in 2002-2013 billion rubles

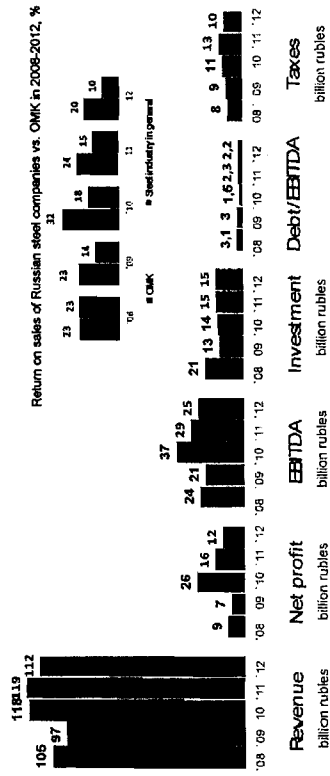


Key Performance Indicators in 2008-2013

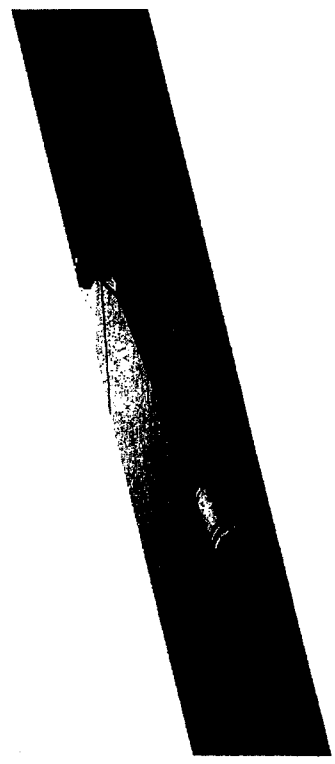




Operating Indicators, Investments, and Taxes in 2008-2012



Products and Production





Large Diameter Pipes, Wide Plates

LDP Division (Vyksa Steel Works)

Wide plates
up to 3 million
tubes a year

Width: 300-400 mm
Thickness:
7 mm to 150 mm

LDP also works on
manufacture, construction

LDP
up to 2 million
tubes a year

Ø 500-1420 mm
Strength class
up to 100 (grade) MPa

ESAW pipes with the same and
other low cost or high cost
quality

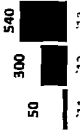
Pressure
5 20-45 MPa

Submarine, offshore, gas and
other water pipelines

Key projects: Nord Stream, South Stream, North European Gas Pipeline,
Bovanenkov-Ukhta, Ukhta-Torzhek, Dzhugba-Lazarevskoye-Sochi, Sakhalin-
Khabarovsk-Vladivostok, Eastern Siberia-Pacific Ocean, Baltic Pipeline
System, Arctic-Purpe, Kuyumba-Tayshet, Central Asia - China



LDP
thousand
tons



Wide plates
thousand
tons

© 2013 OJSC OMK
LDP Division (Vyksa Steel Works)



Oil and Gas Pipes, General Purpose Pipes, Rolled Steel

Oil and Gas Pipelines Division (Casting and Rolling Complex, Vyksa Steel Works (Pipes), and APP Division (Almetyevsk Pipe Plant))

Roller steel
up to 1.2
million tons a
year

Top steel for steel sheets
and coils

Width:
30-180 mm
Thickness:
1 to 12,7 mm

**Oil and gas
pipes, general
purpose pipes**
up to 1 million
tons a year

ESAW pipes

Ø 114-630 mm
Wall thickness:
4 to 12,7 mm
Strength class
up to X80

ESAW pipes

ESAW pipes
ESAW pipes, general
purpose pipes, rolled
steel, steel sheets, coils,
steel pipes, steel tubes,
steel fittings, steel
products, equipment



Oil and gas pipes,
general purpose pipes
thousand tons



Steel sheets and coils
thousand tons

The full "steel-to-plate" cycle within the same industrial site



Casing, Tubing, and Thin-wall Pipes

Oil and Gas Pipelines Division (Vyksa Steel Works) and North America Division (OMK Tube and Tubular Solutions)

Casing pipes,
up to 400,000
tons a year

LSAW pipes

Development of steel casing
construction of wells

Ø 114-245 mm
Wall thickness:
8.2-13.3 mm
(MSW)

Casing and
tubing,
up to 200,000
tons a year

LSAW pipes

Development of oil and gas wells,
construction of wells

Ø 108-178 mm
Wall thickness:
4.8-12.7 mm
(OMK Tube)

Higher geometric accuracy vs. seamless pipes

OMK Tubes: Geographical diversification: rolled steel (including Casing and Rolling Complex), pipes (OMK Tube), finishing (Tubular Solutions), sales (Vyksa-OMK Trading House)

282 273 312 357



Casing pipes
thousand tons

85 88 117 70



Thin-wall pipes
thousand tons



Water and Gas Pipes and Shaped Pipes

APP Division (Almetyevsk Pipe Plant), Vyksa Steel Works

Water and
gas pipes

Are welded single-joint
pipes, including joints with
plastic coating

Ø 47-575 mm
Wall thickness:
1.5-4 mm
Length: up to 12 m

59 59 65 76



Water and gas pipes
thousand
tons

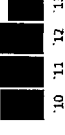
Shaped pipes

Square-shaped pipes

Structure, engineering, factory
making, construction, finishing,
rolling and other processes

Section:
125x125-300x300
mm

108 121 122 89



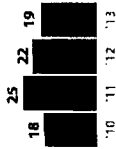
Shaped pipes
thousand
tons

In 2012, APP upgraded machinery and equipment, improved technology, installed and launched a new high-performance Mill 10-65



Pipeline Fittings and Valves

SDI and TPA Division (Tubodetal Plant and Blagoveshchensk Fittings Plant)



Pipeline fittings
thousand tons

Pipeline fittings
Up to 30,000 units a year

Stamped and welded pipeline fittings: joints, bends, reducers, ends

Truck trailers, pumping and distribution stations, oil and gas production, nuclear and thermal power plants

Ø 57-1420 mm, 16-300 kg/cm²

Pipeline valves
Up to 110,000 units a year

Gate valves, globe, swing check valves, switching devices, blocks of safety valves, etc.

Oil and gas production, processing, heat and power generation

Ø 25-800 mm, 1.6-25 MPa

Integrated solutions: more than 1,000 standard sizes of seamless and stamped-welded pipeline fittings and more than 500 standard sizes of pipeline valves, sub-assembly, and special units



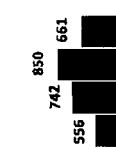
Pipeline valves
thousand tons

* Pipeline fittings of 100 kg per 1 GPa, valve valves 120 kg



Rail Wheels

Rail Wheels Division (Vyksa Steel Works)



Rail wheels production
thousand units

Wheels
Up to 360,000 units a year

Solid-railroad wheels and wheel castings. Production for Eurobochka high-speed trains

140 standard sizes, Ø 716-1086 mm

Spacers in Russia
Up to 300,000 units a year

Spacers for high-speed trains, electric locomotives, Eurobochka system

The world's largest solid-rolled rail wheels production line

Know-how: new steels and wheel designs, wheel serial production technology, wheels life cycle monitoring systems

A long-term contract with Russian Railways to supply more than 7 million wheels

Design and production of innovative wheels for passenger trains, heavy freight cars and high-speed trains



Automotive Springs
Chusovoi Metallurgical Works (CHMW)

Springs
UP to 20,000 tons a year

State-of-the-art design springs including parabolic springs and pneumatic suspension arms

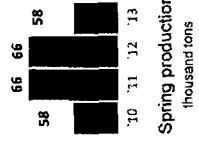
Specialized for trucks, buses, coaches, buses, trailers and passenger cars

Share in Russia
85.54%

Europe's largest manufacturer of automotive springs
All KamAZ trucks including the Kamaz - Master sport team (the Dakar rally raid champion), Ural, UAZ, NeAZ use the CHMW springs only

Patented spring volume-surface hardening technology

CHMW is a unique automotive spring production with no counterparts in Russia and the CIS countries in terms of technological and manufacturing capacity



Spring production (thousand tons)



Future





The goal is to secure and enhance leadership in key markets



Strengthening the leading positions in the Russian LDF, wheels, and pipeline fittings markets

Securing growth in new markets: pipeline valves, casing pipes, automotive springs

Key activities

- Ensuring vertical integration
- Organizational development:
 - Building an effective divisional management structure
 - Increasing production capacity:
 - Expanding the product range
 - Upgrading and replacing obsolete equipment
 - Expanding production capacity
 - Improving operational efficiency
- Diversification of markets:
 - Diversifying the order portfolio
 - Entering new overseas markets
 - Developing service functions and integrated solutions
 - Expanding customer service



The pipe and steel-making complex in Chusovoi is currently the largest project in the Russian steel industry



Investment > 50 billion rubles

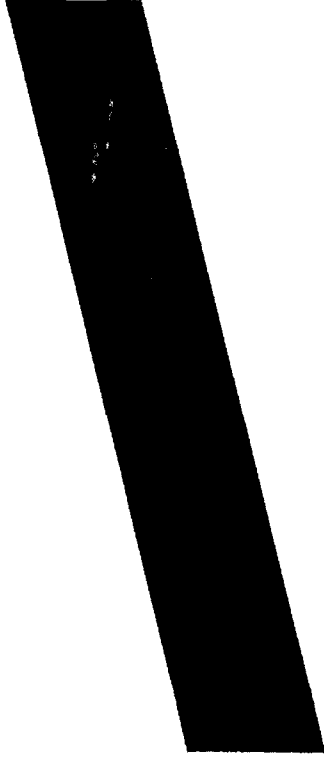
- 1 million tons of steel per year
- 500,000 tons of seamless casing pipes for oil and gas industry per year
- 300,000 tons of rolled steel and springs
- 200,000 tons of billets for rail wheels

Chusovoi Metallurgical Works (ChMW) is carrying out the first project in Russia's steel industry to overhaul its production site:

- Creating the production of highly advanced products
- Saving 3,700 jobs at ChMW with the expected cost increase
- Increasing tax payable
- Drastically reducing emissions
- Developing the city's infrastructure



Social Responsibility



OMK Investing in HR



7 production sites on
two continents **30,000** employees

13% increase in the average salary in 2012

Average salary of employees is 51% higher than the average salary in the regions where the company operates

4,000 new jobs in the high-tech industry have been created since 2005

33% of the total number of employees involved in corporate pension plans

5,000 employees improved their skills through corporate training programs in 2012

60 million rubles were allocated for the development of the industry's educational institutions in 2012



Charity and Development of Regions



Social investments in 2005-2013
5.5
billion rubles

In 2013 OMK allocated **> 500 million rubles** for social projects

Key areas:

- Allocating funds for a judo school, international ski competitions in Vyksa and Chusovoi, a sports complex in Chusovoi
- Support for soccer clubs: Metallurg (Vyksa) and Volga (Nizhny Novgorod)
- Support for schools, kindergartens and orphanages in Vyksa and Chelyabinsk
- Support for the construction and restoration of churches in Vyksa and Chelyabinsk
- Patriotic education programs and promotion of natural sciences among young people in Vyksa, Chelyabinsk, Almet'yevsk and Blagoveshchensk
- Support for Moscow Institute of Steel and Alloys (MISA), a college, and polytechnic colleges in Vyksa and Chusovoi
- Holding the Art-Ovrag new culture annual festival in Vyksa
- Restoration of Russia's Cultural Heritage: a manor-industrial complex of the Baitshevs-Shepelevs in Vyksa

OMK employees have helped 136 needy families over the last 5 years through the OMK-Uchastie charity fund in the amount of 16 million rubles.

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Environmentally Responsible Business



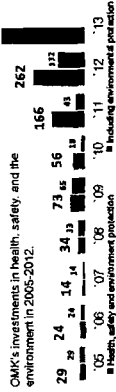
In 2005-2013, investment in health, safety, and the environment amounted to **> 4** billion rubles

416 million rubles were allocated for environmental projects in 2013

- OMK's major environmental investment in 2005-2013
- Construction of new treatment facilities at VSW: 285 million rubles
- Launch of the steel waste recycling unit at VSW: 256 million rubles
- Construction of complex gas-purification facilities at OJAW: 264 million rubles
- Launch of drain water regeneration facilities at OJAW: 244 million rubles
- Launch of the cooling liquid recirculation system at TESC-4: 73 million rubles
- The project to use the Casting and Rolling Complex greenhouse gas emission reduction equipment through the use of efficient steelmaking

416

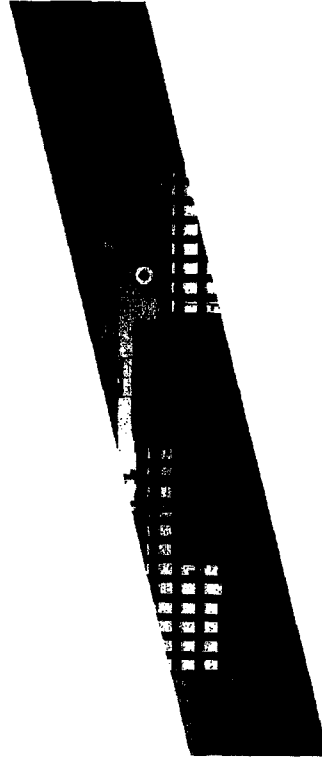
OMK's investments in health, safety, and the environment in 2005-2012



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Appendix



OMK's Participation in Pipeline Projects in 2005-2014



NORD STREAM. More than 460,000 tons of 1220-mm pipes with a wall thickness of 30.9, 34.6 and 41.0 mm of steel SAML 485 IFD (X70) produced for Phase I and Phase II of the project.

ESPO (Eastern Siberia - Pacific Ocean) Phase I and Phase II. More than 400,000 tons of 1020, 1067 and 1220-mm pipes (steel grade K56, K60) have been delivered since 2005.

North European Gas Pipeline. 320,000 tons of 1420-mm pipes delivered Baltic Pipeline System. 85,000 tons of 1067-mm and 1020-mm insulated pipes with a wall thickness of 10 mm or 18 mm (steel grade K52, K55, K60) delivered.

Vankor Field Pipeline. 70,000 tons of 520-mm pipes with a wall thickness of 12-14 mm (steel grade K55, K60) and 25,000 tons of 530-mm pipes with a wall thickness of 12-19 mm delivered.

Central Asia-China. 385,000 tons of 1067-mm pipes with a wall thickness of 15.9 mm (steel X70) with internal and external 3-layer epoxy coating delivered.

OML Gas Pipeline 58 in Nigeria. 40,000 tons of 610-mm and 1067-mm pipes delivered under a contract with DAMAGIX, and Total was the end user of this project.

Bovanenkov-Ukhta. More than 210,000 tons of 1420-mm pipes.

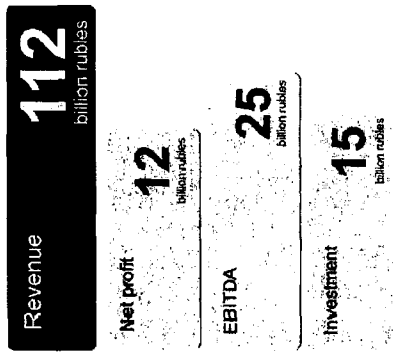
Dzhubga-Lazarevskoye-Sochi. 210,000 tons of 530-mm pipes.

Sakhalin-Khabarovsk-Vladivostok. More than 355,000 tons of 1220-mm and 1020-mm pipes.

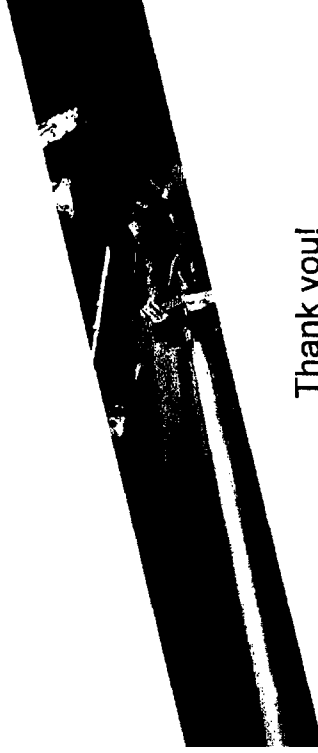
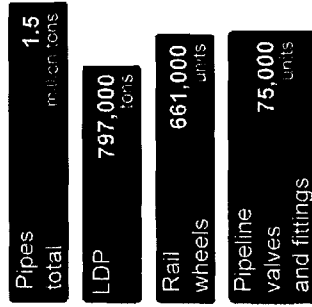
South Stream. The contract was signed in 2014. More than 300 km of 815-mm pipes with a wall thickness of 39 mm will be delivered.



Financial Performance in 2012



Production performance in 2013



Thank you!



**UNITED
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**Dmitry
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