

# iPipe

Interpipe  
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Customer Bulletin

## New generation metallurgy in contemporary: Interpipe Steel grand opening

Interpipe expands its range  
of products for the machinery  
industry

Interpipe  
new culture  
code

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## NEW GENERATION METALLURGY IN CONTEMPORARY: INTERPIPE STEEL GRAND OPENING



THE ELECTRIC STEEL MELTING COMPLEX INTERPIPE STEEL, THE FIRST METALLURGICAL PLANT BUILT FROM SCRATCH SINCE UKRAINE BECAME INDEPENDENT, WAS OPENED IN DNEPROPETROVSK. PRESIDENT OF UKRAINE VICTOR YANUKOVICH, FAMOUS POLITICIANS AND BUSINESSMEN, PEOPLE OF ART, LOCAL AND INTERNATIONAL JOURNALISTS PARTICIPATED IN THE OPENING CEREMONY.

Interpipe Steel is the first metallurgical plant, built in Ukraine from scratch for the last 40 years. Considering its level of technology, labor conditions, and environmental protection standards, it obviously represents a new phase in the development of the industry. The total volume of investments has amounted to 700 million US dollars.

Interpipe Steel is a key investment project for Interpipe that provides steel and pipe production with its own billets. When the mill reaches its designed capacity rate, the self-sufficiency in billets for Interpipe seamless pipes' production will rise to 90 %. The production capacity of the new mill will be 1.320 million tons a year, making it the largest enterprise of this kind in Eastern Europe.

Interpipe Steel is the largest single private investment since Ukraine became independent. The mill combines innovative steel melting technologies from one of the top three metallurgical equipment producers, Italian Danieli, and works on the

basis of international best practices in steel production. This combination creates a new metallurgical production philosophy for the 21st century – a new step for the steel industry.

### INTERPIPE STEEL TEAM

The Interpipe Steel team consists of young and highly educated employees, who have made it through a rigorous competitive selection process: for some roles the competition in the employment process has reached 10 applications for each job. The preference during the selection process has been given to candidates with no operational experience at obsolete metallurgical production facilities. This is one of the major principles in the formation of the new metallurgy generation.

Interpipe Steel employees have undergone additional training at Danieli's training center facilities in Italy and have adopted a number of operation practices with metallurgical equipment at leading enterprises in Russia and Ukraine.

Any work at the new generation metallurgical enterprise requires a responsible attitude: smoking is prohibited on the mill's ground, the pass-through control post has breathalyzers and metal detectors installed, and no use of cell phones is allowed in the workshops.

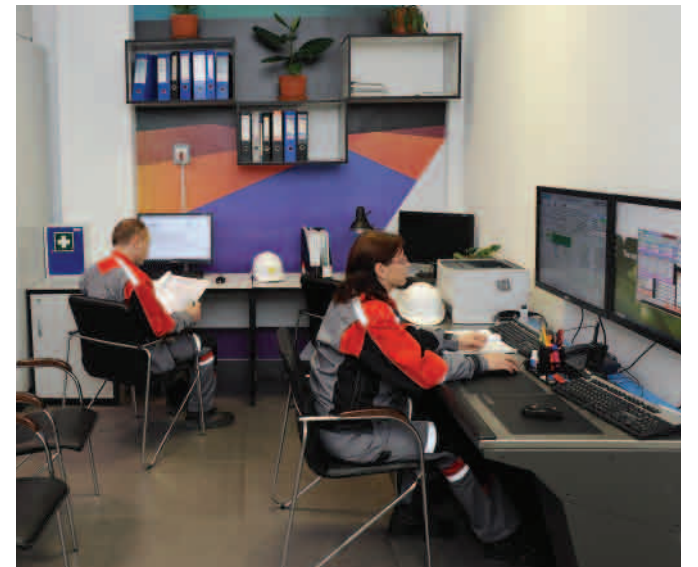
The mill provides very comfortable working conditions: convenient personal service and shower rooms, modern closets for clothing, convenient indoor passageways for employees' movements within working places, and an ultramodern cafeteria.



### "DNEPROPETROVSK SUNRISE"

The launch of Interpipe Steel has become a new reference point in the cultural history of Ukraine and the city of Dnepropetrovsk. Along with the mill, the city received a new symbol – Olafur Eliasson's art project "Dnepropetrovsk Sunrise". It consists of five large scale masterpieces, conceived by the artist specifically as permanent installation and integral part of the mill. Dnepropetrovsk Sunrise is a metaphor of the industrial renaissance of Ukraine.

"When we thought about the construction of a new mill, we had a dream – to create the most up-to-date metallurgical production in Ukraine," - Victor Pinchuk, the founder of Interpipe, comments. "But in the course of our work we realized that we are able to do more. And we have created a mill, combining innovative technologies and production culture with contemporary art. This mill is the first and only one of its kind, built for the workers, the city, and society. And for me, the mill is also a tribute of honor to generations of Ukrainian metallurgists".







### Olafur Eliasson

is a Danish-Icelandic artist known for sculptures and large-scale installation art employing elemental materials such as light, water, and air temperature to enhance the viewer's experience. In 1995 he established Studio Olafur Eliasson in Berlin, a laboratory for spatial research. Eliasson represented Denmark at the 50th Venice Biennale in 2003 and later that year installed The Weather Project in the Turbine Hall of Tate Modern, London.

Eliasson has engaged in a number of projects in public space, including the intervention Green river, carried out in various cities between 1998 and 2001; the Serpentine Gallery Pavilion 2007, London, a temporary pavilion designed with the Norwegian architect Kjetil Thorsen; and The New York City Waterfalls, commissioned by Public Art Fund in 2008.

# 5 miracles OF INTERPIPE STEEL



### DNEPROPETROVSK SUNRISE

is a 60-metre-tall, freestanding sun. Made out of two intersecting yellow, corrugated-metal ellipses supported by scaffolding, the sun is illuminated at dusk and dawn, so that it is visible from all points of the compass. It can be seen from across the river, on the other side of town, as a permanently rising sun. Dnepropetrovsk sunrise is the natural pendant to Double sunset, 1999, in Utrecht, the Netherlands, where passers-by were confronted with the illusion of a second sun setting next to the real one. Double sunset, however, could only be correctly viewed from one perspective, since there was a clear front and back to the two-dimensional sun.

### YOUR THINKING BRIDGE

is a twenty-two-meter-long installation that occupies the entire length of the elevated walkway inside the Interpipe factory. The walls and ceiling of the enclosed bridge are covered with mirrors and metal. Two semi-spheres are attached to the mirrored surfaces at the juncture between the walls and ceilings, so that they appear as full spheres together with their reflections. Track lighting on the handrails and lights inside the spheres illuminate the passageway. The facing mirrors evoke an infinite space, in which the spheres and the workers moving through the walkway are endlessly reflected.



### MATERIAL IS MOVEMENT

installed in the main hall of the factory, comprises a series of circular and elliptical discs made of reflective yellow glass. Lights, installed in the gap between the discs and the wall, create a soft glow around the circumferences of the discs. Progressing from circle to ever more elongated ellipses, the two-dimensional shapes produce the illusion of a disc becoming foreshortened as it spins in space.

### YOUR TIME TUNNEL

- large enough to encompass two lorries driving side by side, Your time tunnel consists of a series of arcs that form an impressive portal through which traffic flows into and out of the Interpipe Steel facility in Dnepropetrovsk, Ukraine. Constructed from pipes produced at the factory, the elliptical and circular arcs derive from cross sections of a pipe taken at different angles. The appearance of the tunnel changes according to the vantage point from which it is viewed - whether you are inside or outside, moving or standing still. It cannot be grasped instantaneously as a single image, which makes the time it takes to view the shifting relationships of the circles and ellipses an important element in the work.



### YOUR HEAT MURAL

is a group of large-scale images on the factory façade. The effect is reminiscent of a thermal analysis of the interior; it seems to grant a view into the factory, except that it is not the actual contents of the building that are shown, but an abstract impression of what goes on inside, the invisible heat exuded by the manufacturing of steel.



## IMPRESSIONS



**Tony Blair,  
Great Britain Ex-Prime  
Minister:**

"I have visited a huge number of Great Britain mills. Interpipe Steel is undoubtedly an outstanding creation. This is one of the best and most modern mills in the world. I am greatly impressed with the spectacular and almost fantastic design of the facility. It is a real pleasure

for me to come to Dnepropetrovsk and see the true personification of the 21st century industry. It is extremely essential for Ukraine to have such a state-of-the-art production facility as Interpipe Steel. The most up-to-date technologies, the brand-new approaches to the work – all these things are an enormous success for the country. The mill should become a platform for development – a symbol of what the modern industry must be like".



**Victor Yanukovich,  
the President of  
Ukraine:**

"This is an outstanding event in the life of our country! This is the way we need to move forward, through modernization, enhancement of competitiveness within our enterprises, development of our economy, and improvement in the life of our people!"



**Dan Shechtman,  
the Nobel prize  
winner  
in chemistry:**

"This is not the first metallurgical facility I have managed to visit. I have been at mills in Israel and Sweden. But this mill is the most up-to-date of everything I have ever seen. This is an environmentally friendly and efficient production facility. And it is very beautiful. People, working here, seem to be happy".



**Olafur Eliasson,  
artist, author  
of the art objects  
at the mill:**

"Art has the capacity to suggest visions, states of uncertainty, and new stimuli, whereas factories, to ensure smooth production, are of necessity governed primarily by order and predictability. I saw this commission as

an invitation to co-develop a generous and welcoming environment; a setting where human values and needs come first, where a degree of unpredictability and aesthetic experience is embraced in the factory's everyday life and in the city of Dnepropetrovsk".



**Boris Paton,  
the President  
of the Ukrainian  
National Academy  
of Sciences:**

"This metallurgical mill has been built from scratch using new, advanced technologies and equipment. I have looked round several workshops at the mill, if they can be called workshops as

they look more like hi-tech laboratories. My recollection of the old smoke-filled metallurgical workshops has been completely changed".

## COMPREHENSIVE INVESTMENT PROGRAM FOR INTERPIPE NIKO TUBE DEVELOPMENT

Implementation of large-scale investment programs aimed at the improvement of the product quality control and enhancement of production facilities are the top-priority vector of Interpipe company development.



### MODERNIZATION OF PIPE-ROLLING WORKSHOP № 7

Within the framework of the project for comprehensive modernization of Interpipe NIKO TUBE production facilities, the mill commissioned the final treatment line for pipes at the pipe-rolling workshop No 7. The implementation of this project ensures the high-tech product supplies to the customers are developed in accordance with the international standards' requirements: API 5L, ASTM, ASME, DIN EN, and others.

THE LINE CONSISTS OF THE EQUIPMENT, MANUFACTURED BY MAIR, ITALY:

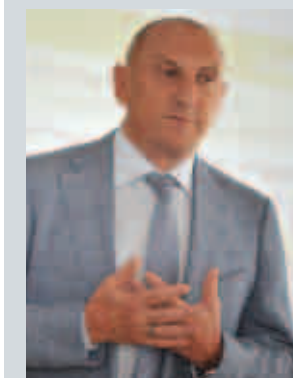
- hydro-press;
- pipe cutting unit;
- beveling-and-trimming machines;
- painting line;
- automatic packaging line.



The final treatment line exposes pipes to internal pressure testing up to 500 atmospheres at the hydraulic press, checking their tightness. To conduct such a test, emulsion is fed inside the pipes under pressure. If no leak is found, the pipes are sent to the saw, cutting them into two halves. Then the beveling-and-trimming machines make the chamfer at an angle of 32.5 or 37.5 degrees in accordance with the standards requirements. Using the painting line, the pipe body, depending on the order requirements, is covered with a corrosion-resistant coating, then stamped and marked.

The concluding stage of the treatment includes the automatic packaging line, which, by way of accumulation, forms a tetrahedral or hexagonal shape package, and bundles the pipes with a steel strap. These then go to the finished-product storage area.

The next stage of the project consists in the construction of the second flow line of the pipe-rolling workshop - the general finishing line for pipes after the rolling process. The construction and assembly works are currently in progress. The implementation of this project will ensure the considerable enhancement of production facilities at the pipe-rolling workshop.



**Vladimir GORNSHTEIN,  
Interpipe  
NIKO TUBE  
General Manager:**

"The Nikopol mill of the company continues the implementation of large-scale re-equipment projects. The state-of-the-art equipment and the completely new principle of operations will fundamentally change the nature of

production and will substantially expand the possibilities of the pipe-rolling equipment".





#### EXPANSION OF CAPACITIES OF PIPE-ROLLING SHOP NO 6

Interpipe NIKO TUBE pipe-rolling shop No 6 has commissioned the coupling machine manufactured by Scottish AMC Company. This investment project is aimed at ensuring pipe production in compliance with API 5CT, GOST 633-80, and GOST R 53365-2009 standards as regards the power screwing of pipes with couplings. The new machine also ensures the power screwing of threaded connections for 73-114 mm diameter pipes. The productivity of this equipment reaches 39 thousand tons of pipes a year with the planned volume of 29 thousand tons.

"The new coupling screw-on machine, manufactured by AMC, is completely automatic, making employees' working conditions more comfortable. In addition to this, the machine requires no re-adjustment to the pipe diameter and complies with all existing standards. This is a new stage in the mill's production culture", - Dmitry Pavlov, Project Manager of pipe-rolling shops No 6 and 7 comments.

## INTERPIPE NIKO TUBE INTEGRATION WITH THE NEW ELECTRIC STEEL MELTING COMPLEX

#### THE RECONSTRUCTION OF THE PRE-PRODUCTION WORKSHOP

Interpipe NIKO TUBE has completed the mill's preparation for reception and use of billets, produced by the new electric steel melting complex Interpipe Steel. The reconstruction of the Pre-production Workshop is one of the most impressive stages of this project.

"The Pre-production Workshop is a connecting link between Interpipe NIKO TUBE and Interpipe Steel - the electric steel melting complex, producing continuous cast billets. Since we had no areas for reception, storage, and shipment of billets at our mill, the management made a decision to reconstruct the pre-production workshop. At present the pre-production facility is virtually a newly built workshop. New equipment and design, including new electric bridge cranes equipped with the magnetic suspension, modern administrative and personal service facilities, as a result lend to a new employee mental level. All these developments are key components which affect the high quality of our work", - Andrey Popov, Pre-production Workshop Manager comments.



The pre-production workshop project consisted in two stages. The first phase included the capital repairs of the covered workshop area with the capacity of 14-15 thousand tons of billets. The second phase consisted in the reconstruction of the external storage area with a capacity of more than 15 thousand tons. Such stock of the billets is enough for one-month continuous work of the mill.

Under the framework of the reconstruction project the mill has purchased a railway crane, 31 wagons for transportation of pipe billets around the mill's territory, an industrial diesel locomotive, 5 electric bridge cranes, 5 electric hoists (devices for intra-shop transportation of cargos with a suspended monorail), and 2 transformers. The total volume of investments into the reconstruction of the pre-production workshop has amounted to approximately USD 9 million.

More than 100 new jobs have been created as a result of the opening of the pre-production workshop. 106 persons are currently working at the preproduction workshop. All employees work in a modern and comfortable environment with newly repaired administrative and personal service facilities.

In addition to the renovation of the reception, storage, and shipment of billets, the mill installed up-to-date equipment for cutting billets into cut-to-length sections.



#### INSTALLATION OF THE BILLET CUTTING SAW



The pipe-rolling shop No 2 has accomplished the project "Installation of the billet cutting saw No 2", as a result of which it has commissioned the sawing unit, manufactured by Austrian "Linsinger".

Before the implementation of the new equipment all billets, used for rolling at the pipe-rolling shop No 2 had been broken by the hydraulic billet breaking press. In 2010, the sawing machine No 1 was installed, cutting billets out of solid steel

grades, followed by the launch of the sawing machine No 2 in September 2012. At present almost all billets in the pipe-rolling shop No 2 are cut with "Linsinger" saws. "Installation of new sawing machines is one of the most essential projects that have taken place at the pipe-rolling shop No 2. This equipment ensures the enhancement of the products' quality, facilitation of the pipe-rolling process, and reduction of the metal discharge coefficient", - Alexander Chervony, Project Manager notes.

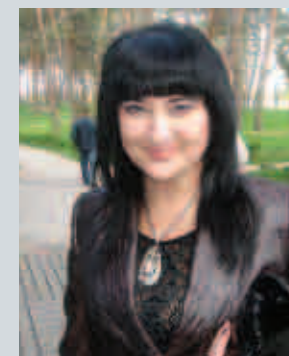


## INTERPIPE NMPP PRODUCTION COMPLIES WITH INTERNATIONAL STANDARDS

Auditors of two independent certification agencies have confirmed that all production processes at Interpipe NMPP comply with international standards.

Interpipe NMPP has passed two external audits, inspecting the compliance of functioning of the mill's Quality Management System and certification of rolled pipes with the existing standards.

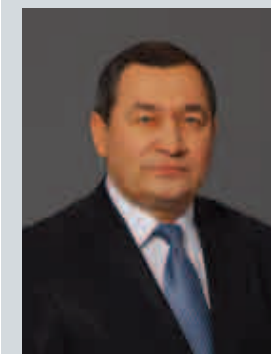
The supervisory audit has been aimed at the assessment of the mill's Quality Management System based on the criteria of compliance with requirements of DSTU ISO 9001:2009 standards and the Quality Guidelines; as well as the inspection of the actual fulfillment of requirements pursuant to QMS elements established in enterprise's standards, procedures, instructions, and normative documents. The technical supervision has been



#### Tatiana Bayuta, Interpipe NMPP Certification Expert:

"The conduction of external audits, related to the inspection of the product quality control system and its certification, is quite a usual and trouble-free thing for us. We are absolutely sure that the rolled pipe quality control system at our enterprise, as

well as the system of organization of pipe production and execution of all accompanying normative documents, are at the highest possible level here, which has been actually confirmed by external audits by TUVNORD and "VNITI-TEST".



#### Yuriy Antipov, Interpipe NMPP Chairman of the Board:

"The experts have conducted the high-quality work at the mill's departments to check the fulfillment of the Quality Guidelines' requirements of the mill's Quality Management System, as well as the works on certification of pipes, and have confirmed that the products of our enterprise comply

with international standards and normative documents This acknowledges, not only the efficiency in the work of quality control experts, but also the stability in the functioning of the complex organism in the enterprise. Our employees give maximum possible consideration to the high-quality fulfillment of the tasks set at every production stage".

conducted by experts from the certification agency SE "VNITI-TEST", with the participation of the mill's auditors.

Experts of TUV NORD GmbH audit company have carried out the certification of pipes for compliance with EN 10255 standard requirements. This company's experts have also conducted the supervisory audit to check the compliance of pipe production with the requirements of AD 2000 WO normal standard, Directive 97/23/EU, and EN 10219-1 European standard. In addition to that they have also certified the WPQR welding procedure for pipe production at the pipe electric welding workshop No 3.

No inadequacy has been detected based on the results of external audits, conducted by SE "VNITI-TEST" and TUVNORD experts.



## INTERPIPE EXPANDS ITS RANGE OF PRODUCTS FOR THE MECHANICAL APPLICATIONS: INTERPIPE NTRP HAS MASTERED THE PRODUCTION OF 426 MM DIAMETER PIPES



**Andrey Bibik,**  
Interpipe Sales Director  
for mechanical pipes:

"Assortment expansion is another step, aimed at the enhancement of Interpipe's competitive attractiveness. Today large-diameter steel seamless pipes are in great demand both in Ukraine and abroad, and they have a quite broad spectrum of applications, including manufacturing of

construction equipment, manufacturing of hydraulic cylinders for offshore platforms, etc. Thus, the mastering of a new type of product ensures the strengthening of our position in the CIS and European markets".



**Sergey Besednov,**  
Interpipe NTRP Deputy Chief Engineer on Technology:

"Mastering the production of 426 mm diameter pipes is a real breakthrough for us. The established production technology at the Interpipe NTRP 5-12 unit provides for the production of pipes with diameters of up to 360 mm. Several years we successfully mastered the rolling of 377 mm diameter pipes. And now we have managed to expand the assortment up to 426 mm. Experts of the mill's central laboratory, the Development Institute, and the shop itself have developed and implemented a number of measures, owing to which the rolling of large-diameter pipes has become possible. They have worked out the optimal heating mode for ingots - in the process of ingots' piercing by the 2000 ton press the bedplate thickness has been reduced to 100 mm, - the configuration of elongator's work-holder has been changed, and the mandrel length has been also increased by 150 mm. The first lot of pipes has already passed all the required tests, and all pipes comply with the requirements of GOST 8731-32".

## INTERPIPE NTRP MODERNIZES QUALITY CONTROL EQUIPMENT

Quality guarantee is one of the key arguments in the market's competitive activity. This is exactly why all Interpipe industrial assets pay particular attention to the product testing procedures. Therefore, alongside the introduction of new state-of-the-art pipe quality control systems, the company refreshes and modernizes the existing controlling equipment. For instance, the OCTG shop at Interpipe NTRP have been revitalized and modernized. A defectoscope TD-01, used for ultrasonic control of surface and internal defects of pipes with wall thicknesses from 25 to 70 mm and diameters from 159 to 410 mm, have been commissioned.

Pipes of this range are widely used in the machinery industry, for manufacturing of cylinders for hydraulic mining struts, pump pistons, shafts, and other machinery parts. The list of their major customers includes "Mining Machines" Company with production facilities in Ukraine and Russia, Belarusian automobile works "BelAZ", and a number of Polish and German consumers.



**Pavel Vishnyakov,**  
Head of Quality  
Analysis  
Department  
at Interpipe NTRP:

"Modernization of our defectoscope was focused on the enhancement of its sensitivity. Thus, it will provide us with the possibility for higher precision quality control for thick-walled pipes and, as a result will

strengthen Interpipe company's image as a responsible and reliable partner".

## INTERPIPE MIDDLE EAST CASE STUDY



The benefit of the changes is that instead of having two sales teams, we have one sales team for the region. Thus, the customer makes an order for the whole necessary product range to one and the same manager. We have a recently appointed dedicated Russian/English speaking technical specialist. This is essential to enable us to respond quickly to enquiries, connect customers with our mills and to provide after sales service.

**Who are the main consumers of Interpipe products in the region?**

We have a diverse customer base covering the construction and oil and gas segments. The major distributors in UAE are an important route to market and important customers for Interpipe. We are in the process of developing long term supply agreements with some of these distributors.

**Notwithstanding the situation in the region in 2011 was quite complicated you increased the sales volume significantly. How have you reached such the result?**

The recent problems in Syria, Libya and Egypt and the ongoing difficulties in Iran and Iraq have had a dramatic effect on business in the region. As a consequence, we have expanded our target markets to include India, Pakistan, Vietnam, Malaysia and other countries where we see opportunities.

**What are the development plans for 2012 -2013?**

During 2012 and 2013 we are planning to double our business with both established customers and with new customers in new markets. Currently we have some critical mill audits by customers and some trial orders. Confirmation of high quality of the products and conformity with international standards will lay the foundation for new business development.

**What are the peculiarities of the business in this region?**

The countries we consider part of MENA are very individual countries each different with their own cultures and ways of doing business. The first thing we have to do is adjust our business approach to the needs of each country and customer in the region.

The structure of Interpipe Company includes 8 trade companies located at the target markets. Interpipe Middle East, the office in UAE, Dubai, has been operating around 6 years, there are 12 people at the moment. It is a part of Tubular Sales Department for MENA and NAFTA. We converse with Duncan Pell, the head of the Department:

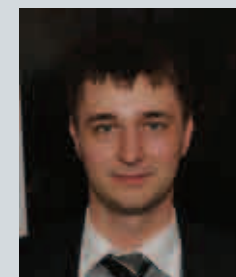
**In 2011 Interpipe implemented important changes to its sales structure. The change took it from a product application oriented organization, working independently on areas of pipe application, to a customer focused organization with closer cooperation with clients. Have you already noticed the effects of this reorganization?**

## NEW APPROACH TO THE EUROPEAN MARKET

IN JUNE 2012 THE EUROPEAN COMMISSION ANNOUNCED THE ABATEMENT IN DUTIES FOR INTERPIPE PIPE PRODUCTS FROM 25.1% TO 17.7%. A NEW DRAFT DECISION ON THE ABATEMENT IN DUTIES FROM 17.7% TO 13.8% WAS ALSO DEVELOPED IN AUGUST.

The duties were fixed within the framework of the existing anti-dumping measures, adopted in 2006. Owing to collaboration with the European Commission, Interpipe was able to arrange for such a

reduction in duties. In 2011 the company appealed to the European Commission with a request to conduct a new investigation, giving proof that dumping levels were significantly reduced since 2006.



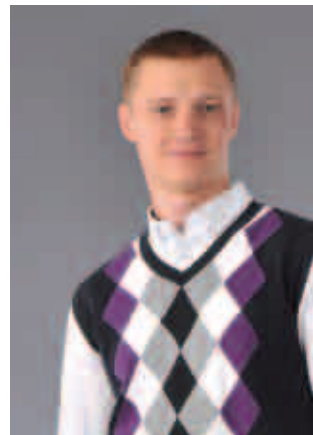
**Ivan Mazanka,**  
Head of pipe sales to European countries at Interpipe:

"Such a reduction in the level of EU duties for Interpipe pipe products from 25.1% to 17.7% will help to make the company's price policy more competitive in the European market, which could favorably influence the volume of pipe exports into the EU. In 2011, Interpipe exported 42 thousand tons of seamless pipes and 26 thousand tons of welded pipes into the EU; and duties were imposed on the major portion of these products. In 2012, the company expects the retention of its positions in the EU market under the conditions of the worsening macro-environment, and such downward revision of duties will allow the company to improve its competitive position in this region".



## CIS MARKET: OPPORTUNITIES AND PERSPECTIVES

Interpipe needs no introduction in the CIS markets. Interpipe enterprises' pipe products have been used for construction of gas-main pipelines and a huge number of oil deposits. The largest oil and gas companies within Russia and the CIS are on the company's list of customers. We asked our Regional Sales Managers about the perspectives and situation in the key market:



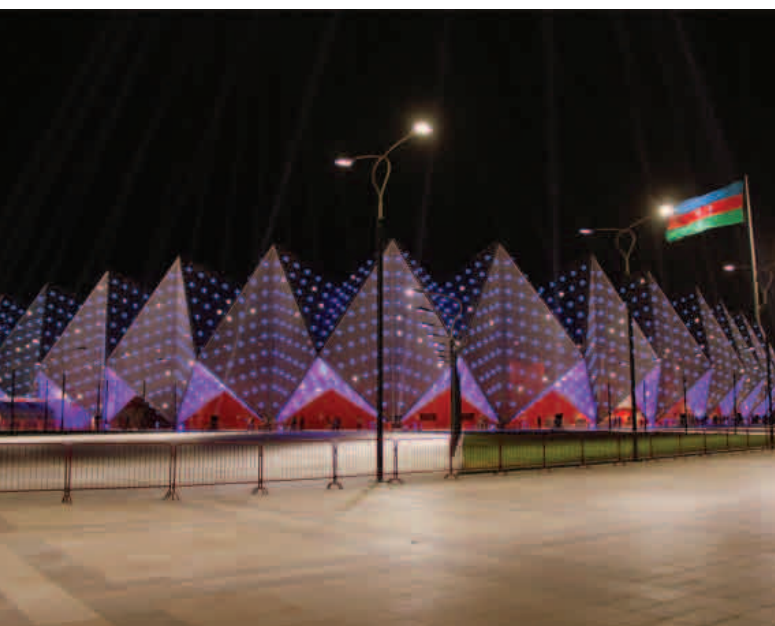
**EUGENE ZAVRAYSKIY, TURKMENISTAN REGIONAL SALES MANAGER:**  
Eugene, what is the current development of Turkmenistan and what prospective projects does it have?

Turkmenistan is a country with a dynamically developing economy, flag-shipped by the energy sector. Within the framework of the oil and gas industry development, Turkmenistan plans to significantly increase the extraction and exports of energy carriers

within the coming years. With the aim of raising the natural gas and gas condensate extraction, it currently develops large deposits such as the Southern Yolotan-Osman, Yashlar, Malay, and Bagtyyarlyk. The rise in gas transportation volumes is planned for gas pipelines East-West and Malay-Bagtyyarlyk (the second line of the Central Asia - China gas pipeline), which are now under construction. In the coming years they also intend to modernize the existing network of main pipelines in Central Asia.

### What products are in highest demand now?

Pipes that we supply are mainly used for oil and gas field construction, as well as the construction of infrastructure facilities for main oil and gas pipelines and the maintenance of the existing wells. Basically, these are seamless line pipes and casings. Our welded pipes are supplied for housing and communal projects: gasification of settlements, laying of water pipelines, and maintenance of heating mains.



### Do you plan to supply brand new special products?

For the last several years the drilling depth has been substantially increased, and the deep gas and gas condensate reserves, being developed at present, contain considerable hydrogen sulfide admixtures. They lead to the intensified corrosion activity, thus making hydrogen sulfide resistant pipes more and more needed. Our task for 2013 is to enter the market with these products and to ensure the stable volume of deliveries for pipes, made out of the corrosion resistant steel grades.



**PAVEL BEGMA, CIS COUNTRIES REGIONAL SALES MANAGER**

### What markets in the CIS is the company's attention currently focused on?

The pipe markets of Azerbaijan, Turkmenistan, and Kazakhstan are developing quite dynamically today. In the first place, this is conditioned by the rise in oil and gas extraction volumes. The key trends of growth in the demand for pipe products are character-

ized by financing of large projects on new deposits' development and pipeline infrastructure expansion.

### And if we look at projects unrelated to oil extraction?

Azerbaijan is the most active market in this respect. You know that in 2012 the Eurovision was conducted here, and a number of large-scale projects were implemented in preparation for this contest. For instance, Interpipe supplied pipes for the construction of BakuCrystallHall. In addition to that, Azerbaijan is currently implementing a large-scale program on gasification in the country. This requires quite a considerable volume of Interpipe NMPP welded pipes'.

### And if we take neighboring countries - Belarus, for instance?

Belarus is a very important market for us due to its geographical location. It is a home country for the largest machine-building companies in the CIS, consuming not only mechanical pipes, but also a large volume of general pipe products. Warehouse areas both for b2b and b2c are quite developed here.

## INTERPIPE NEW CULTURE CODE

The year of 2012 may be safely called the beginning of the new Interpipe era. This is the period in which the new steel-melting complex has been launched and a number of large-scale projects introducing the new production culture have been implemented. However, our plans are even more ambitious: to arrange our own self-identification system - Interpipe culture code. Simply speaking, when anybody asks any employee of the company "What is Interpipe?", he/she will answer "Comfortable conditions and comprehensive development of the staff".

Interpipe NMPP has presented the modern administrative and personal service facility



Interpipe NMPP has completed introduction of the new production culture standards. At present all employees of the mill use the completely renovated personal service facility, have their lunches at modern cafeterias, and wear new working clothes, which are regularly cleaned at the company's dry-cleaner's.

The project has covered the personnel in the principal production workshop of the mill, amounting to approximately 40% of the entire operating personnel in the enterprise.

Over the course of this project, the mill has rebuilt personal service rooms, replaced all communications and installed new equipment. It has also arranged the conference hall, premises for shift meetings, the warm underground passage from the administrative and personal service facility to the workshop, and modern cafeterias.

The workshop personnel operate in the new working clothes, sewn individually for every employee. The set of such working clothes consists of a T-shirt, a jacket, overalls, shoes, and thermal underclothes (for cold weather periods). There are 3 sets of



**Valentin Vishchenya, Head of HR Department, Interpipe NMPP**

"One of the company's strategic tasks is to attract young skilled specialists in Interpipe enterprises. We are absolutely sure that the arrangement of comfortable working conditions and introduction of new production culture standards will lead to a change in prevalent stereotypes for work in metallurgy, transforming the profession of a metallurgist into an exciting opportunity for the youth".



**Yuriy Antipov, Interpipe NMPP Chairman of the Board:**

"As for the level of comfort, the current working conditions of employees at Interpipe NMPP yield to no world leader in metallurgical production. While introducing high production culture standards, we strive for the change in the attitude of people towards their work. An employee, with comfortable working conditions and personal services, simply cannot produce any poor-quality output".

working clothes at the disposal of every employee. The regular cleaning of the clothes is ensured by the mill at the latter's dry cleaning facility.

The catering of employees has been arranged at the mill's news cafeterias, operated by CIS' largest catering company. Every employee has fixed meals consisting of 7 courses. The possibility for special dietary nutrition has been also provided for.

The new production culture is not limited to repairs of the personal service rooms, nor the layout of flower beds at the workshop entrance. All these things are just the tools for its introduction. Any production culture is a special style of employee thinking, a peculiar philosophy of production relations. It requires perfect order and cleanliness and observance of technological and executive discipline. For this reason, the company strongly believes that it can change any employee's attitude to work exactly with the help of a change in working conditions.





## INTERPIPE NIKO TUBE HAS OPENED A MODERN TRAINING CENTER

Interpipe NIKO TUBE has opened the modern training center IQ 267, furnished with state-of-the-art equipment and design. The center's programs are aimed at the comprehensive training of specialists for resolution of business tasks of the mill,

development of the modern production culture at Interpipe enterprises, and building the bench strength with the help of the high-quality and comprehensive training of internal candidates.

### IQ 267 INCLUDES:

- 5 educational lecture halls;
- conference hall;
- computer class;
- negotiation room and office for employees.

The total training center area spans 500 square meters.

IQ 267 training and lecture rooms can seat 84 persons.

The computer class has 12 desktop computers, and a multimedia projection device. IQ 267 also has a mobile computer class with 18 laptops.

The conference hall for 80 is equipped with all the required machinery and devices to conduct training and conferences. It also includes comfortable armchairs with convenient supports to make notes during presentations.

To arrange occupational training, IQ 267 has obtained the license of the Ministry of education and science, youth and sports of Ukraine. The license confers the right to provide services on occupational and technical training, retraining, and professional development. This license covers a total of 62 professions.

Other programs have been developed for additional training and development of the staff and are focused on a number of various groups:

managers at key executive positions → IQTALENT;

promising workers, ready to take up a foreman position → IQLEADERBasicLevel;

promising workshop foremen, having a high enough potential for development→ IQLEADERAdvancedLevel;

young employees of the mill → IQTEAM!;

new employees of the mill → IQWELCOME.

The new training center also arranges master classes and training by applied tutors, well-known in the business environment (IQMASTER-CLASS). It also provides the possibility to undergo additional computer training (IQIT), and has developed a program for informative and creative pastime (IQCLUB) to be used in informal communications of employees.



**Natalya Zvonenko,**  
Head of Interpipe NIKO  
TUBE HR Department,  
Head of the training  
center:

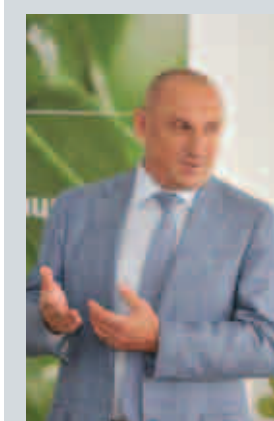
"The new training center offers an unconventional approach to personnel training, based on two principal components: "I" - "imagination" and "Q" - "qualification". Here the employees can not only enhance their professional skills, but also develop their potential with the help of any of the 12 programs, offered by the center. The principal training program, called IQDOIT, is aimed at job training of new mill personnel and professional development of the mill's employees".



**Oksana Marina,**  
Head of Interpipe  
HR Department :

"Interpipe currently consists of five enterprises, having more than 16 thousand workers and employees. This number is equal to a medium-size city, and if we add members of employees' families, it will match the number of Nikopol city inhabitants. Introducing new approaches to personnel training and development, we do our best to arrange the company's self-identification system – our own culture code. In other words, when anybody asks any employee of the Company "What is Interpipe?" he/she will answer: "Comfortable conditions and comprehensive development of the staff". We strive for a change in the traditional image of metallurgy and strive to make the metallurgist profession attractive for the youth".

Simultaneously with introduction of new approaches to personnel training and development Interpipe NIKO TUBE implements a strategic investment program and completes a number of projects on implementation of the new production culture at the enterprise. At present we have accomplished the reconstruction of the administrative and personal service complex at one of the major workshops and purchased new working clothes for the employees.



**Vladimir  
GORNSHTEIN, Interpipe  
NIKO TUBE General  
Manager:**

"To arrange efficient operation of the equipment and competitiveness of the mill's products within the market we need well-trained workers and specialists to manage the production process. Establishing this new training center, we have been doing our best to introduce a new philosophy of training and development, based on the world's best practices".



## INTERPIPE NTRP COMPLETES THE FIRST PROJECT INTRODUCING THE NEW PRODUCTION CULTURE

The first project to introduce the new production culture at Interpipe NTRP is focused on more comfortable conditions for employees in the oil and gas product workshop. This includes renovation of the administrative and personal service complex, reconditioning of the foremen's room, and new working clothes for employees.

The most substantial changes have taken place in the rolling floor area, with a new facade and new elements of design following remedial maintenance. The renovated premises with force control panels have turned into the true symbol of the floor, or, as they are called by employees, the "shop's Big Ben": A clock has been mounted on the wall, showing the time in different cities in the world with Interpipe offices. A new scheme has appeared in the workshop, showcasing all primary equipment and the entire technological process of pipe production at 5-12 rolling unit; from reception of billets to the delivery



of the finished products in the storage area. All buildings and structures, located in the central line of the rolling area, have banners, depicting workshop floors, products, and employees.

"We strongly believe that if we arrange proper working operations and more comfortable conditions for our employees, we can expect better efficiency and productivity of their labor. Another quite significant change we expect is that employees maintain the orders organized in the work place and production floors", - Alexander Zakopko, Rolling and Heat Treatment floors Manager for 5-12 rolling unit comments. - "The changes can be seen with the naked eye, and now it is completely safe to say that the production culture at the workshop has reached a new level".



## AZERBAIJAN AND INTERPIPE: MORE THAN 15 YEARS TOGETHER

Interpipe participated in the largest Caspian region fair - "Caspian Oil and Gas", conducted in Baku. Ilham Aliyev, the President of Republic of Azerbaijan, was among the numerous visitors



to the company's stand. After his welcoming speech at the grand opening of the fair, the Head of the Republic attended the stands of several companies, paying special attention to Interpipe. A representative of the Ukrainian Embassy in Azerbaijan was present at the company's stand. He presented Interpipe to Mr. Aliyev as the leading industrial company of Ukraine, which had for more than 15 already made regular deliveries of pipe products to the Azerbaijan market.

Representatives of Interpipe Company had a personal talk to the President and answered his questions on the development of cooperation with Azerbaijan companies. Ilham Aliyev highly appreciated the long-term partnership of Interpipe and the State Oil Company of Azerbaijan Republic (SOCAR). The President was also pleasantly surprised with the fact that Interpipe Company pipe products had been used in the process of construction of BakuCrystallHall - the concert hall, erected to conduct the Eurovision 2012 song contest.

In the course of this conversation Interpipe representatives also told Mr. Aliyev about the new projects of the company, in particular about the construction of the electric steel melting complex, which would ensure company's enterprises with high quality pipe billets. The Head of the Republic was absolutely sure that introduction of innovative production technologies, complying with international standards, would promote the strengthening of Interpipe positions at the Azerbaijan market.

The President noted the significance of collaboration between the Republic of Azerbaijan and Ukraine and underlined that Azerbaijan was open for our business.

## INTERPIPE: HEADING FOR FAIR AND OPEN COLLABORATION

Open and frank cooperation with customers is among the top priorities of Interpipe development; therefore, customer conferences have already turned into a traditional format for communication with its partners. In 2012 Interpipe has gathered its customers from the CIS and European countries

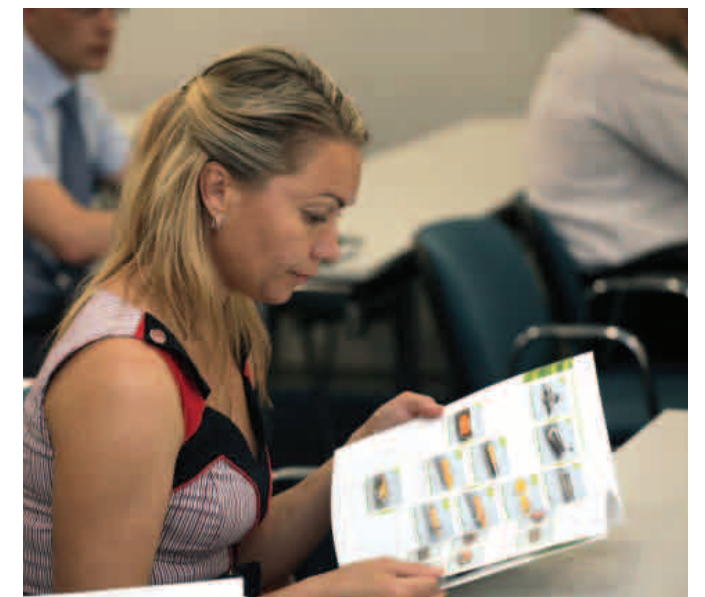
CUSTOMER CONFERENCE FOR CONSUMERS WITHIN THE OIL AND GAS SECTOR AND GENERAL APPLICATION PIPE PRODUCTS FROM RUSSIA

ANDREY SARBAYEV,  
SANESTA-METAL  
COMMERCIAL DIRECTOR:

"Our company has had its 20th birthday this year, and we are engaged in seamless pipes' supplies to the North-West market and Saint-Petersburg. The list of our customers includes such large companies as Vyborg shipbuilding yard, "Power machines", Leningrad nuclear station, the Admiralty Shipyard, and the Northern Shipyard. We have been working with the Interpipe Company for 10-14 years already. Our collaboration has been a mainly positive trend for the company. For us it is very important that Interpipe gives specific consideration to its communications with customers, providing the maximum possible information on pipe segments, sales, and sales tools. Therefore, this conference was very useful, and I believe that in the near future such events will be conducted once again: in my opinion, conferences in the pipe market and the b2b market in general represent a serious tool for product promotion".

KONSTANTIN ROMANKO, HEAD OF PIPE SALES  
IN THE REGION AT INTERPIPE

"Over the last few years, the first customer conference was conducted in Moscow. The feedback we got from its participants confirms the importance of hosting such events on a regular basis. Furthermore, together we have managed to answer all those important questions, which are often disregarded in the course of the working process".





### IVAN BAKHTIN, PURCHASE DEPARTMENT KEY SPECIALIST, URALSIBNEVA:

"We have been working with Interpipe since 2007, consuming both seamless and electric-welded pipes in different quantities and trying to build them up. We are totally satisfied with Interpipe products and our interaction with the company. Naturally we would like to wish the company further successes in improving the quality of both the pipe products and the management. In my opinion, the conference has been conducted at a high level, touching very important issues of development not only by Interpipe, but also of the pipe industry in general - both in Russia and abroad".



### RUSLAN SULTANOV, LEADER-M METAL CENTER GENERAL MANAGER:

"We have been working with Interpipe since 2007, consuming seamless pipes, which we use to complement the oil and gas branch of the Russian industry.

On behalf of Leader-M Group of companies I would like to wish Interpipe success, not only in the Russian market, but also on a global scale. I am personally very pleased with today's presentations: they have shown a wide spectrum of works from both Interpipe and its commercial representation offices, making strong emphasis on the quality. I hope that after today's event the attitude to Interpipe will change: the process of getting closer to buyers influences both the production and product sales".

### CUSTOMER CONFERENCE "MEETING OF BUSINESS KNIGHTS" FOR PIPE PRODUCTS' CONSUMERS FROM THE EUROPEAN REGION

#### JEAN CLAUDE TIHY, CONSULTANT ON ENGINEERING COMPANIES:

"I started working with Interpipe in 1994 and have to admit that you the company has continuously improved in that time. Keep it going. You are on the right track".

#### KARINA NIEMEYER, WSK COMPANY REPRESENTATIVE:

"We are always satisfied with the quality of Interpipe's products and delivery terms. We have been working together for more than 10 years already. And we do hope that, after the launch of the company's new mill, you will be able to expand the range of steel grades you produce".



### IVAN MAZANKA, HEAD OF PIPE SALES TO THE EUROPEAN COUNTRIES AT INTERPIPE:

"Over the course of the conference we have united approximately 50 representatives of the largest pipe products' consumers from European countries. They include both the customers, with whom we have cooperated for a number of years already, and those that have only placed their first order. Such a format ensures a lucrative discussion on the key changes taking place in the company, and our current interaction, in the informal setting".

### CUSTOMER CONFERENCE "DISCOVERY INTERPIPE" FOR INDUSTRIAL SEGMENT PIPES' CONSUMERS FROM THE CIS REGION

#### ANDREY BIBIK, INTERPIPE SALES DIRECTOR FOR MECHANICAL PIPES:

"Many positive changes are currently occurring at Interpipe: we are implementing our investment program, reconsider our approaches to employees working conditions, and have commenced the operation of our new steel-melting production facility. The customer conference format allows us to discuss these changes with our clients, showing them that the company does not come to a standstill. Events like these always strengthen partner relationship with the customers, promoting the development of cooperation".



#### ANDREY ZHUK, MINSK WHEEL TRACTOR PLANT

"We have been working with Interpipe Company for more than 10 years, and we acknowledge that Interpipe is a reliable and responsible partner, whose products comply with the highest quality standards. Today's conference is a very important event to gain understanding about the company's development. I really like the excursion around Interpipe NMPP facilities: cleanliness and comfort of the working area, introduction of the state-of-the-art technologies in pipe production. We will add a lot to our armory: introduction of the production culture, zoning of space in workers' locker rooms, and a lot more. I would like to wish the Interpipe team to continue the development of their production, making truly high-quality products!"

#### ALEXANDER DUBROVIN, KALUGAREMPUTMASH

"We have been working with Interpipe for more than a year already. It is really important that over this year and a bit we have worked well together and are sure about our further fruitful cooperation. The conference I have managed to attend gives rise to positive emotions: interesting presentations and speeches, an enthralling excursion around the mill, and a delicious lunch at the mill's cafeteria! I am really pleased to see that the company gives proper consideration to investments into its staff: training and professional development programs, a high-quality motivation system, and the convenient working area. We now have added evidence that Interpipe is a reliable and easy-to-deal-with partner, developing a new model for modern metallurgy".



#### SERGEY FEDORYAKA, A GROUP

"We have been working with Interpipe for more than 10 years already, and the partner relationships that have emerged between our companies are just perfect. Today we have managed to discover a number of quite new sides of the company: to learn more about the investment projects, related not only to the equipment modernization, but also to reduction of materials' consumption and power inputs in the pipe production process. At present it is essential not only to produce a high-quality product, but also to preserve the environment, surrounding us. We are really pleased to know that Interpipe Company, as our partner, is concerned with the preservation of the environment. We hope the Interpipe team generate even more new ideas and implement them successfully!"



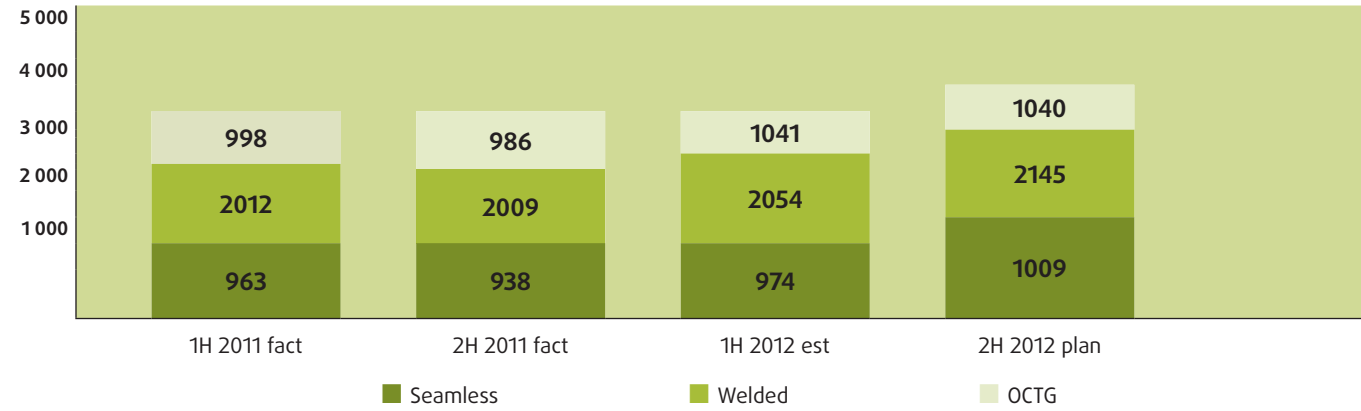


THE FIRST HALF OF 2012 HAS BEEN CHARACTERIZED BY HIGH OIL PRICES. FOR ALMOST THE ENTIRE PERIOD, BRENT OIL HAS BEEN HIGHER THAN 100 USD PER BARREL, REACHING ITS MAXIMUM OF 125 USD IN FEBRUARY AND MINIMUM OF 90 USD IN JUNE. THESE HIGH OIL PRICES HAVE STIMULATED GROWTH IN OIL PRODUCTION AND, AS A CONSEQUENCE, HIGH DEMAND FOR OIL TUBULAR GOODS.

CIS

In 2012 the market demonstrates growth in all segments. The increased investments into geological exploration and commercial operation of oil and gas deposits have determined the growth in demand for both oil and gas (threaded) pipes and line pipes (welded and seamless). The workload of regional threaded pipe producers' facilities in the first half of the year has been quite close to the maximum.

The development of the construction sector has also been quite active. The number of commissioned residential buildings in Russia in the first half of the year has grown by 1.9% compared to last year numbers. The industrial engineering sector is also progressing well. This has become a determining factor for the growth in demand for welded pipes.



NAFTA

The market growth has been determined by the general economic rise in the USA and the power sector development, caused by high oil prices, as well as the rapid growth in the shale gas production. The power sector has determined the great demand for oil country tubular goods, including the increase of pipe imports in the USA. The general economic improvement has caused the growth

in the seamless and welded pipes' segment. The economy revival has led to the considerable rise in demand for the engineering industry. The construction sector demand is at a good level. However, a certain sales slowdown could be seen in the construction sector in the third quarter, and the continuation of this trend in the fourth quarter is also quite probable.



MENA

Despite the political instability in a number of countries in the region, oil extraction is increasing. The rise in numbers of active drilling rigs in the Middle East oil and gas sector is stable. It has reached the level of 29% since the beginning of the year (from 310 in January to 399 in July). The stable growth in oil extraction keeps up the great demand for oil and

gas pipes and line pipes. The regional non-oil sector's development is also quite successful. The PMI data for Saudi Arabia and the United Arab Emirates have been at an invariably high level over the course of the year, demonstrating positive veins in economy. The economic growth in the region keeps up the great demand for welded and seamless pipes.

