Sour Service pipes —
new solutions for oil and gas companies

Fadi Hraibi:
150 cubed — sales strategy for 2014
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Sour Service pipes — new solutions for oil and gas companies

To ensure the best possible satisfaction of requirements for customers carrying out the extraction and transportation of oil and gas with accompanying hydrogen sulfide, Interpipe has mastered the manufacturing of a new product — Sour Service pipes — new solutions for oil and gas companies.

Sour Service is an oil and gas product, containing hydrogen sulfide $\text{H}_2\text{S}$. For operations in such aggressive environments, companies use API 5L Appendix H pipes, produced out of steel grades, the requirements and recommendations to which are defined by NACE MR0175 / ISO 15156 standards.

INTERPIPE PRODUCES FOLLOWING PRODUCT RANGE OF PIPES FOR OPERATIONS IN SOUR ENVIRONMENTS:

<table>
<thead>
<tr>
<th>Nominal size</th>
<th>OD, in</th>
<th>OD, mm</th>
<th>Wall thickness (min-max), in</th>
<th>Wall thickness (min-max), mm</th>
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</thead>
<tbody>
<tr>
<td>1.315</td>
<td>33.4</td>
<td>0.134</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td>1.66</td>
<td>42.2</td>
<td>0.142</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>1.9</td>
<td>48.3</td>
<td>0.146</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>2 3/8</td>
<td>60.3</td>
<td>0.142 - 0.217</td>
<td>3.6 - 5.5</td>
<td></td>
</tr>
<tr>
<td>2 7/8</td>
<td>73</td>
<td>0.157 - 0.276</td>
<td>4.0 - 7.0</td>
<td></td>
</tr>
<tr>
<td>3 1/2</td>
<td>88.9</td>
<td>0.157 - 0.299</td>
<td>4.0 - 7.6</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>101.6</td>
<td>0.157 - 0.319</td>
<td>4.0 - 8.1</td>
<td></td>
</tr>
<tr>
<td>4 1/2</td>
<td>114.3</td>
<td>0.170 - 0.339</td>
<td>4.0 - 9.6</td>
<td></td>
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<tr>
<td>6</td>
<td>168.3</td>
<td>0.240 - 0.474</td>
<td>7.1 - 22.2</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>219.1</td>
<td>0.277 - 0.521</td>
<td>7.0 - 23.4</td>
<td></td>
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<tr>
<td>10</td>
<td>273</td>
<td>0.279 - 0.537</td>
<td>7.1 - 23.8</td>
<td></td>
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<tr>
<td>12</td>
<td>323.9</td>
<td>0.276 - 0.937</td>
<td>7.0 - 23.8</td>
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As a result of the joint research and technical work, Interpipe experts have conducted trial rolling of BNS-X42NS and BQS-X70QS steel grade pipes. The level of mechanical and corrosion resistance properties obtained complies with the requirements of API 5L standard (Appendix H). For this, properties for BNS-X42NS steel grades have been achieved without any heat treatment from separate heating, enabling significant reduction of the products’ self-cost and enhancement of resistance that allows to make competitive offer to customers.

FOCUS ON THE QUALITY

A distinctive feature of the pipes includes the requirements of corrosion resistance tests, which are conditioned by the specifics of the operation. For instance, pipes according to API Spec. 5L (Appendix H) are tested for resistance to hydrogen-stress cracking for 3 days, which are then tested for resistance to sulfide corrosion cracking for 30 days. Corrosion resistance tests on Sour Service pipe samples have been conducted at the independent "Quality" Research and Test Center (Ukraine).
Steel for export — new steel grades

To satisfy the demands of its customers, Interpipe Steel masters new steel grades, which aim to meet the technical specification requirements of customers. The new export steel grades have been already mastered:

**EXPORTS STEEL GRADES**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
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<tbody>
<tr>
<td>20</td>
<td></td>
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<tr>
<td>LF2CL1</td>
<td></td>
</tr>
<tr>
<td>SA20S</td>
<td></td>
</tr>
<tr>
<td>SATA</td>
<td></td>
</tr>
<tr>
<td>MT20</td>
<td></td>
</tr>
<tr>
<td>LF2-M0D</td>
<td></td>
</tr>
<tr>
<td>G6CA1</td>
<td></td>
</tr>
<tr>
<td>ESKA-3</td>
<td></td>
</tr>
<tr>
<td>LF2/EE/09</td>
<td></td>
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</table>

Furthermore Interpipe’s Technical Department has developed universal steel grades for production of OCTG 38 ХGТ and 25 XM. The first two heats of the new steel grade were made and sent for trial rolling at Interpipe Niko Tube and Interpipe NTRP in January this year.

Interpipe Niko Tube Production Department Manager Tatiana Save-lo has asserted that, “At present the 38ХGT steel grade pipes have undergone grain size inspection and tests for mechanical properties and impact strength. We also make marking probes with reduction temperature. All processes are carried out on time with total quality and efficiency. The next stage includes tests for the mechanical properties of coupling blanks and the ultrasonic inspection of pipe wall thickness, which covers at least 25% of the surface.”

**INTERPIPE NTRP QUALITY AND TECHNOLOGY DIRECTOR ANDREI KUTSOV:**

“The trend for a move to the development of oil and gas deposits under the conditions of an aggressive hydrogen sulfide environment is common for Russia, CIS countries (Kazakhstan and Turkmenistan) and export markets of NAFTA and the Middle East. Due to the need to preserve the competitiveness of the Interpipe product portfolio, the task to develop a technology for the production of pipes with enhanced corrosion resistance properties in the hydrogen sulfide environment is quite topical and timely.”

**VALENTYNA MOSKALENKO, MANAGER OF INTERPIPE STEEL ORDER ASSESSMENT AND SUPPORT GROUP:**

“We have already received a great deal of positive feedback from our partners from major market players such as German wheel producer BVV, Polish tire producers Huta Bankowa and Georgian pipe producer.”

**MAIN DEPOSITS OF OIL AND GAS WITH H₂S CONTENT.**

Most countries with major oil and gas deposits are dealing with harsh exploration conditions due to the aggressive contents in the explored fuels and have to find new ways to transport such fuels.

**SOUR SERVICE GEOGRAPHY**

Quality control of steel billets is conducted on every stage of production.
Quality under control

Interpipe NMPP employees have undergone training on the quality management system of the American Petroleum Institute under API Spec Q1 standard (9th edition). From now on key employees and shop and department managers can carry out internal audits on the mill’s quality control system.

INTERPIPE NMPP TECHNICAL DEPARTMENT MANAGER ALEXEY KOVALENKO:

"Industry oriented standard API Spec Q1 includes specific requirements relating to the oil and gas industry. Having introduced this specification, Interpipe NMPP can demonstrate to its customers its ability to meet their most stringent requirements."

Interpipe mills certified by TUV NORD

Interpipe NMPP and Interpipe Niko Tube have successfully undergone a supervision audit of the mill’s Quality Management System for compliance with ISO 9001 standard requirements and Environmental Management System for compliance with ISO 14001 standard requirements.

TUV NORD auditors have confirmed the fulfillment of all requirements of the international standard, given a high appraisal of the changes introduced at the mill and extended the validity period for existing certificates.
In the framework of introduction of the new production culture, Interpipe mills install comfortable transparent modular buildings at their production shops. Now the mills’ management gets the possibility to directly supervise the production process and follow the fulfillment of each order of the company customers.

The first transparent module was built at Interpipe Niko Tube at the end of 2012, and there are five of them already at the mill now. New premises for employees are well-heated, soundproof, and equipped with computer machinery and online communications, but the most important thing is that they are absolutely transparent. Implementation of this project cost more than 400 000 USD.

INTERPIPE NIKO TUBE TECHNICAL DEVELOPMENT DEPUTY MANAGER, IGOR MASLOV:

“The major objective of this project is to improve labour conditions and to enhance communications between employees. Owing to the transparency of the structure, our employees can control the execution of tasks and, equally importantly, supervise the production process from their own work places. For instance, you can see the rolling process from your own work place at the rollers’ modular building of the tube-rolling shop № 7”.

“At Interpipe Steel the project has been commenced with the construction of the transparent dispatcher office at the electric steel-melting shop, which now hosts managers of all shifts. At the moment this place is a mill control center, where the dispatcher office gets signals from all cameras, connected to all production areas. It also has the ability to control all processes by remote control, and supervise operations of all production shops – from metal scrap receipt to the billet shipment. “A module is like a state-of-the-art office in a megalopolis, located in a hot production shop. You will not miss anything when working at a transparent dispatcher office – the principal technological process takes place right in front of your own eyes”, - Interpipe Steel production dispatcher Roman Kosharnyi has noted.

The construction of transparent modules at production shops has also been continued in 2014: four modules will be built at Interpipe Niko Tube; another 5 new modules and 3 reconstructed ones with a transparent wall will appear at Interpipe NTRP in spring. In addition to that, in the first part of this year, Interpipe NTRP will install more than 30 control panels with maximum territory coverage.

Improving the production process control

QUALITY PRIORITY

WORLD CLASS MANUFACTURING

Over the last two years Interpipe Steel has melted the first million tons of steel and reached its monthly production target rate. The mill’s manufacturing facilities have enabled, not only the provision of steel billets for the company’s pipe and wheel production facilities, but also the delivery of steel billets to external customers.

To achieve the goal set out for the mill, the “World class manufacturing” project has been introduced. As part of the project we are creating the highly efficient production system based on the Toyota production management principles which proves to be one of the most efficient in the world.

There are already being modernized mill’s storage system. The implemented changes will significantly reduce excess inventory and ensure most effective delivery into production.

INTERPIPE STEEL OPERATIONAL DIRECTOR, ANDREA MICHIELAN:

“We strive to achieve the world’s best production efficiencies, - commented. - We already have two components – state-of-the-art equipment and young highly qualified employees. Now it is important for us to organise the production process to deliver the highest possible efficiency. This is exactly the condition to attain the best economic indices. The list of our objectives includes the achievement of performance, equivalent to the production of 1.5 million tons of steel a year, and processing costs of less than 100 US dollars per ton of billets”.

INTERPIPE NIKO TUBE TECHNICAL DEVELOPMENT DEPUTY MANAGER, IGOR MASLOV:

“Throughout the project we are creating the highly efficient production system based on the Toyota production management principles which proves to be one of the most efficient in the world. The implemented changes will significantly reduce excess inventory and ensure most effective delivery into production.”

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### 2014 Calendar

**January**
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**February**
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**August**
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**October**
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**November**
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**December**
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- **Tube&Wire 2014**
  - Dusseldorf, Germany

- **Caspian Oil and Gas Exhibition**
  - Baku, Azerbaijan

- **Metal-Expo 2014**
  - Moscow, Russia

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**Events in the Calendar:***
- 12th Caspian Oil & Gas Exhibition
- 5th Basra Oil & Gas Exhibition
- Metal-Expo 2014
- IMEorum International Oil & Gas Conference, Agra, Umm al-Quwain
In particular cases Interpipe has produced and delivered NIS orders in 25 days. Under the one-year contract, Interpipe will supply pipe products to NIS for € 5 million. The contract covers a major part of NIS’s annual demand in pipes of the ordered range. The pipes, produced at Interpipe mills, will be used in all of the company’s oil and gas projects in Serbia.

There are three phases of the delivery, where the first set of pipes has already been delivered to the customer’s warehouse in Elane, while the rest of the pipe products will be supplied later on this year according to the contract’s schedule. In 2014 Interpipe will supply NIS with welded line pipes according API 5L and OCTG pipes according API 5 CT standard.

Owing to the well-established partner relationship and high quality of its products, at the end of 2013 Interpipe signed a one-year contract with NIS, according to which in 2014, Interpipe will supply the Serbian oil producer with pipe products for more than € 5 million. The contract covers a major part of NIS’s annual demand in pipes of the ordered range. The pipes, produced at Interpipe mills, will be used in all of the company’s oil and gas projects in Serbia.

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IVAN MAZANKA, INTERPIPE REGIONAL SALES DIRECTOR FOR EUROPEAN MARKET:

“Our target is to move to the system of long-term agreements with key European customers. We may consider the one-year contract with NIS-Gazpromneft as the first of successes in this area. Arrangement of sales on the long-term agreement basis will not only help INTERPIPE in top-quality satisfaction of customers’ needs, but will also provide the company with the possibility of planning its activities in the long term, ensuring efficient distribution from the mill’s production facilities and effective operations of service departments.”

Under the one-year contract, Interpipe will supply pipe products to NIS for € 5 million.

ALEXANDER DIDENKO, INTERPIPE SALES MANAGER FOR EUROPE:

“One of our key advantages as a regular partner for NIS has consisted of our readiness to deliver high-quality pipes for pressing and rush orders within the shortest possible time. For example, in particular cases in 2013 and thanks to the well co-ordinated work of all company departments, we were able to produce and supply pipes within the period of just 25 days, which includes at least a week to deliver the products to Serbia”.

In particular cases Interpipe has produced and delivered NIS orders in 25 days.

USA: from presentations to first orders

Cimarex (USA) is a part of the TOP-30 list of largest oil and gas producing companies in the US. Cimarex has more than 20 oil and gas rigs in the states of Oklahoma, Texas, New Mexico, and Kansas. It also carries out geological exploration in the oil-and-gas bearing basins – Permian Basin and CanaWoodford (Oklahoma). The company has one of the strongest and most professional teams of technical experts in the USA.

Cimarex (USA) was established in 1921 and is currently a member of the TOP-30 list of world’s largest oil companies in the world. The list of company’s activities includes the geological exploration of the oil and gas bearing fields in Columbia and oil and gas production and refining.

USA: Interpipe continues supplying OCTG

Interpipe announced today that the company intends to fully cooperate with the USA Department of Commerce’s investigation process and new preliminary duty deposit requirement imposed on imports of OCTG from Ukraine.

The preliminary duty fee margin of 5.31% was announced on Feb. 19, 2014. A final duty margin is scheduled to be announced at the beginning of July, and the entire investigation is expected to be completed around August 16, 2014. The investigation of tubular producers from Philippines, India, Korea, Saudi Arabia, Taiwan, Thailand, Turkey, Vietnam and Ukraine was started in July 2013.

FADI HRAIBI, INTERPIPE CHIEF COMMERCIAL OFFICER:

“Interpipe remains a committed and reliable partner to our USA customers as well as partners worldwide. And we will continue to supply high quality OCTG products to them.”

USA: from presentations to first orders

In the course of 2013, Interpipe North America held more than 10 “Lunch&Learn” meetings with companies from the US, Canada, and South America. And this practice has already yielded first results. The final consumer Cimarex (Tulsa, Oklahoma, USA) ordered casing, produced by Interpipe NTRP, and Columbian Company Ecopetrol has placed first two orders for line pipes according to API 5L.

ISAAC VILLARREAL, INTERPIPE NORTH AMERICA VICE-PRESIDENT ON SALES:

“We face a situation when potential customers do not realize the extent of Interpipe’s services to start our collaboration. That is why the visits of our representation team, combining both quality experts and sales managers help bringing information to our customers, including the information on the product range, quality control at the mills, and full delivery of agreed terms and conditions. With the help of these meetings, we have already achieved great results and, therefore, will continue the Lunch&Learn practice in 2014”.

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Ecopetrol (Columbia) was established in 1921 and is currently a member of the TOP-30 list of world’s largest oil companies in the world. The list of company’s activities includes the geological exploration of the oil and gas bearing fields in Columbia and oil and gas production and refining.
Middle East: strengthening our positions in Iraq

This year’s obtention of pre-qualification from the largest state-owned company S.O.C. has opened doors for Interpipe to work with the Ministry of Oil of the Republic of Iraq and oil producers of this region. One of the key stages of this collaboration consists of the arrangement of the conference for 100 representatives of the Ministry of Oil and the largest oil and gas companies.

During the course of the visit, Interpipe representatives conducted a series of key meetings with the Acting Minister of Oil of Iraq Mr. Fawzy Hassan Nima and his deputies, as well as with the management officials of a number of oil and gas companies: Iraqi public officials have expressed strong interest in the products which Interpipe has to offer, as one of the approved suppliers of pipe products for the state-owned oil companies.

Ukrainian Ambassador to the Republic of Iraq Anatoliy Marinets, has supported such collaboration between the Ukrainian and Iraqi companies and emphasized that it will have a positive effect on the development of business relations between the countries.

Interpipe has also participated in the “4th Basra Oil and Gas Exhibition and Conference”, where it has conducted a number of meetings with South Oil Company (S.O.C.) and other players in the Southern Iraqi oil market.

ANDREI BURTSEV, INTERPIPE MIDDLE EAST REGIONAL SALES DIRECTOR:

“Iraq is amongst the leading oil producers in the world. As such there is increasing demand for OCTG pipes, as well as pipes for pipelines. Successful cooperation with the Ministry of Oil and state oil companies in the Republic of Iraq are yet another milestone for Interpipe in its plans to build a stronger presence in the country”.

RUSLAN MIROSHNICHENKO, INTERPIPE REGIONAL MANAGER IN IRAQ:

“Over the last half a year after the obtention of the pre-qualification at S.O.C., we have established good relationships with key members of the state-owned companies and commenced our registration with the structural units of the Ministry of Oil in all Iraq regions and their contractors. We understand both the system functioning process and the bidding procedure in Iraq and that is why we expect to continue to achieve positive results in the future.”

To carry out the delivery of pipes to end-customers in Iraq, a producer must be included in the list of approved pipe suppliers at the Iraq Ministry of Oil, as well as at each of the 15 major state-owned oil companies, controlling the extraction and transportation of petroleum products. Only after recommendations from the aforementioned companies, may a producer be registered and included to the list of suppliers for international oil companies, acting as contractors for the state-owned companies and immediate oil producers in the country.
Each year marks a new stage in the company’s life. Interpipe Commercial Manager Fadi Hraibe has summarized last year’s results and spoken about the changes to the Company’s Commercial Service, whilst sharing his views on the plans for the company’s development in 2014.

— How much pipe did Interpipe produce in 2013 and what were the last year’s export sales?

In 2013 the volume of pipe products made by Interpipe was close to 1 million tones. The company itself exported approximately 80% of its pipe products to 65 countries around the world, including to countries in the European Union, the CIS, North America, and Middle East.

— Can you give more detailed characteristics of the market prospects and tell us whether these markets showed the forecasted dynamics?

In 2013 Interpipe supplied more than 100,000 tonnes of pipe products to the Middle East and Africa (approximately a 10% increase compared to 2012), which consisted of mainly seamless line pipes and seamless OCTG pipes. The largest growth of pipe product sales in 2013 fell on the European countries, where the volume of deliveries was approximately 100,000 tonnes, which is nearly double when compared with sales in this region in 2012.

— Last year Interpipe entered a new market – the market of steel billet sales. Have you already received first results?

Yes, in 2013 we supplied approximately 20,000 tonnes to our external customers (approximately 17,000 tonnes to the domestic market, while the balance included the deliveries to Europe and the CIS). Today we are developing a strong customer base, which will help increase our volume of orders for the future. In the years to come we intend to reach the rate of 200,000 tonnes of steel billet sales a year.

— What are Interpipe sales development plans for 2014?

At present we have two major objectives. The first one is tactical: if nothing limits our sales volume, our sales must grow. The second one is strategic: to refocus our sales to the export markets. We have formulated our sales strategy for 2014 as 150 cubed, which focuses on specific target regions of growth, with at least 150,000 thousand tones in each region of Company’s growth. The list of the regions of growth includes Europe, North and South America, Middle East, and Africa. These regions are of strategic importance for the company’s development, and that is why we intend to preserve the positive dynamics of pipe product sales at these markets in 2014.

SALES IN 2014: FOCUS ON THE REGIONS OF GROWTH

— Are there any specific steps that the company intends to take to ensure its growth in the strategic regions?

Yes. For instance, for further development in the MENA region, the company plans to raise its sales to final consumers, in particular, to increase the number of deliveries to oil and gas companies in Iraq, and will also continue the establishment of its relations with key agents and distributors. The sub-Saharan countries represent another major trade area for us, where they are actively developing their oil and gas production.

In the European region, Interpipe intends to develop its direct deliveries to oil and gas companies in Serbia and Romania, as well as to increase its supplies to the largest distributors in a number of European counties including Germany, Italy and Poland.

— Are you going to make any changes to the company itself in connection with these new focuses in Interpipe sales?

The reorientation of sales to the new markets has conditioned significant changes in the organizational structure of our Commercial Service. Restructuring of this service will enable the strengthening of our focus in the regions of growth. Before we had a mixture of the regions of growth and traditional trade markets within one sales department. We often had to “extinguish fires” in the stagnating regions rather than pursuing new opportunities in promising markets. Such actions created risks of failure in fulfilling our plans. As such, focusing on the specifics of each region will enable a better understanding of the needs of our customers and should result in service quality enhancement.
To improve our customer service and to reinforce our sales departments, we have made a decision to reorganise the structure on a geographical basis, taking into consideration our priorities in the regions of growth. In connection with this new concept, the Mechanical Engineering Pipe sales department has become a part of the regional department structure, while the CIS Pipe Sales Department has been singled out as a separate unit. The new business of steel billet sales has become a part of the European market sales department structure.

**New Commercial Service structure**

**TUBULAR SALES DEPARTMENT FOR EUROPE AND UKRAINE**

Head — **VERA SMAL**

Since 2007 Vera had managed the sales of wide consumption pipes, since 2011 she headed the Tubular Sales Department for the CIS and Europe. Vera joined the company in 1997. In new structure she is managing the Tubular Sales Department for Europe and Ukraine and the development of sales of steel billets.

**TUBULAR SALES DEPARTMENT FOR RUSSIA AND THE CIS**

Head — **ANDREY BIBIK**

Since 2005 Andrey had managed the tubular sales for USA, since 2007 he is responsible for selling the products of machinery and power industries. Andrey joined the company in 2003. In new structure he is managing the Tubular Sales Department for Russia and the CIS.

**TUBULAR SALES DEPARTMENT FOR NORTH AND SOUTH AMERICA**

Head — **DANIEL VALK**

Since 2010 Daniel manages the sales to North and South America.

**RAILWAY WHEELS SALES DEPARTMENT**

Head — **RUSLAN BURYAK**

Since the end of 2013 Ruslan manages the sales of railway wheels. He has been working in company since 1999.

**TUBULAR SALES DEPARTMENT FOR MIDDLE EAST AND AFRICA**

**New faces**

**DMITRY TURUNOV**

**INTERPIPE STEEL DIRECTOR**

The list of major tasks of Mr. Turunov at his manager’s position includes operational management of the mill, enhancement of the enterprise’s productivity and efficiency, as well as improvement of the Environmental Management System and Occupational Safety System.

Dmitry Turunov has more than 20 years of experience of operations in large-scale industrial companies. Before his arrival at Interpipe, he had worked at the Chelyabinsk Metallurgical Plant and Yenakiieve Metallurgical Plant. He has particular experience in launching large-scale industrial facilities and their achievement of the designed production rates, as well as in implementation of programs on continuous operational improvement and thrifty production.

**VALERY KARPYUK**

**INTERPIPE TECHNICAL DIRECTOR**

Mr. Karpyuk’s role as Technical Manager includes new product development and mastering, the management of the technical development project portfolio, innovation analysis and the introduction and the conducting of technical audits. One of the most crucial objectives of Valery Karpyuk consists in the establishment of departments for technical support of external and internal customers.

Mr. Karpyuk has been working at Interpipe since 2003. In 2007 he became Deputy Chief Engineer on investments and technical re-equipment at Interpipe NTRP. In 2011 he had worked as the Technical Development Manager at Interpipe Niko Tube.

**ANDREI KUTSOV**

**INTERPIPE NTRP QUALITY AND TECHNOLOGY DIRECTOR**

The list of major tasks, currently faced by the directorate office, headed by Mr. Kutssov, includes the reformation of the technology and quality management system, as well as mastering of new product types.

Andrei has been working at INTERPIPE since 2001. Before his appointment, he had worked as INTERPIPE NIKO TUBE Chief Engineer since June 2013, and before that he managed Company’s Investment Division (since 2014).
New Interpipe website – coming soon!

PIPES IN THE CLICK DISTANCE
WWW.INTERPIPE.BIZ