Interpipe Presentation
9 months 2014
performance and recent liquidity update

February 2015

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9m2014 EBITDA is $80m below 9m2013 as result of sales volumes decrease and lower margins in key markets (Ukraine, Russia and Other CIS). Cash flows were additionally negatively affected by deteriorated debtors collection

	9M2013 Unaudited	9M2014 Unaudited
Pipes		
Sales, kT	701	589
Revenue, $m	840	648
EBITDA, $m	101	50
Wheels		
Sales, kT	161	91
Revenue, $m	291	154
EBITDA, $m	56	26
Steel business		
Production, kT	874	683
Sales to third parties, kT	13	38
EBITDA, $m	52	51
Total Group EBITDA	**211**	**131**
Operating cash flows, $m	33	(10)
Capex, $m	(55)	(47)

Pipes. Decrease in sales volume during the 9M2014 mainly was caused by:

- Other CIS (-54 kT 9m14 vs 9m13): mainly due to decrease of lower margin welded pipes deliveries (lack of strips and logistics financing issues) and suspension of trading with overdue debtors;
- Ukraine (-33kT): unfavorable economic and political situation;
- America (-16 kT): closure of Canadian and Brazilian markets by antidumping investigations, lower OCTG sales in US awaiting final dumping determination and introduction of minimum prices.

In 9m14 pipes margin per tone significantly decreased in Ukraine, Other CIS and especially Customs Union (combined impact of depreciation of national currencies and customs duties).

Wheels:

- Sales volumes mainly decreased in Ukraine (-53 kT) and CIS (-8 kT) while trading in Russia and Europe was on 9m13 level;
- Wheel business profitability slumped in 9m14 reflecting depreciation of Ukrainian and Russian currencies as well as general margins decrease after end of wagon-building boom.

EAF: production volume decrease (-191kT, due to lower demand for steel from pipes and wheels divisions) on EBITDA level was fully compensated by forex gains on cost base and increase of sales to third parties.

On **net cash flows** level lower EBITDA was partially compensated by capex reduction, increase of trade creditors balances and $40m contribution from the shareholders.

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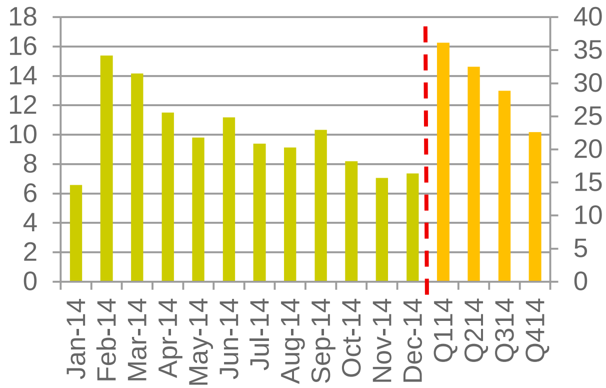
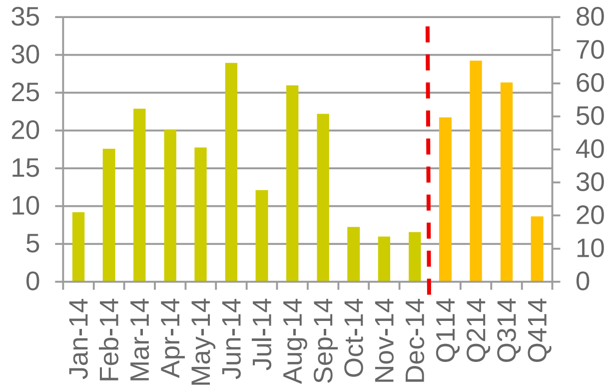
Pipes sales significantly decreased in Q414 almost in all regions

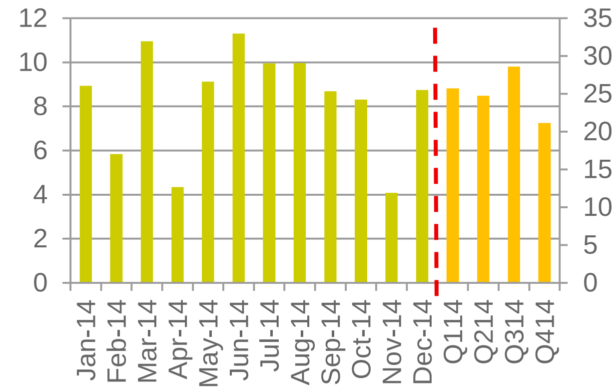
Sales in Ukraine, kT



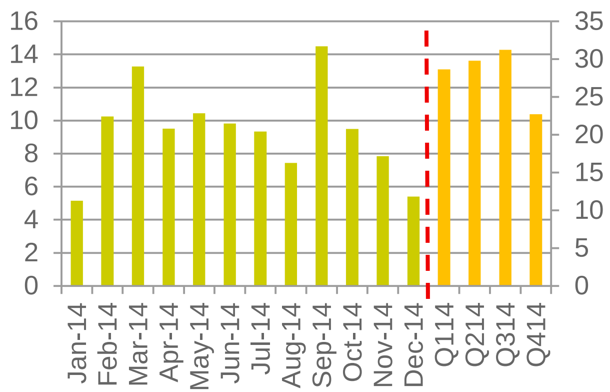
Sales in Russia, kT



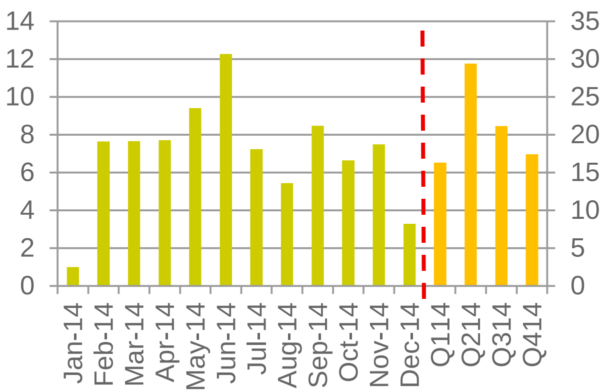
Sales in Other CIS, kT



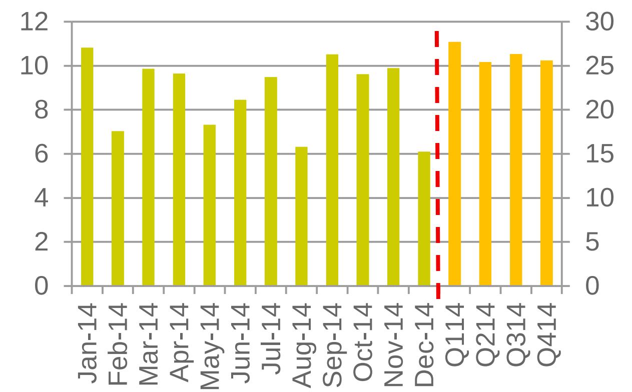
Sales in Europe, kT



Sales in MEA, kT



Sales in Americas, kT



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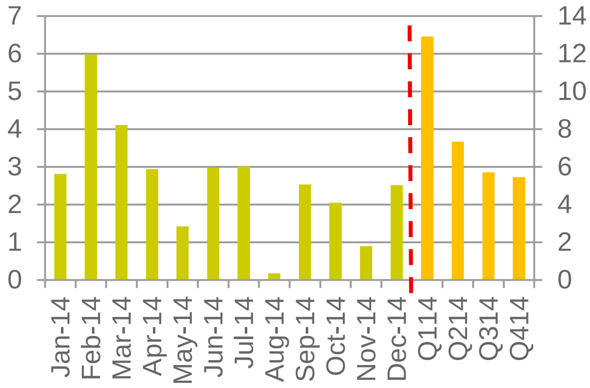
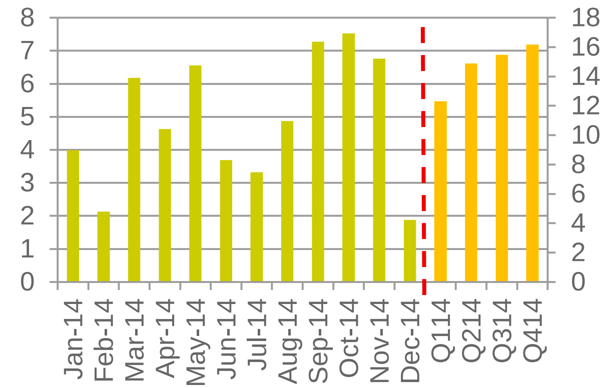
Russia and Europe in 2014 were key markets for Wheels while sales in Ukraine were mainly limited to orders from Ukrainian Railways

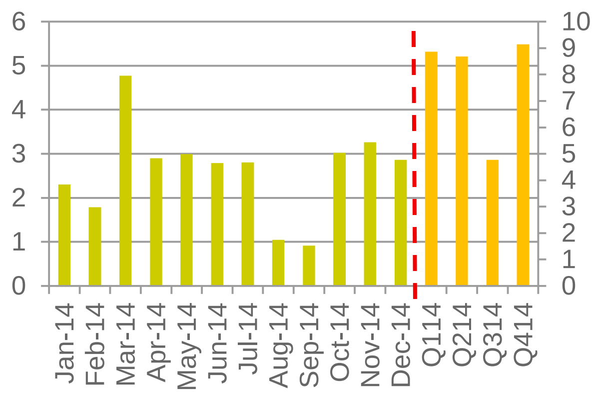
Sales in Ukraine, kT



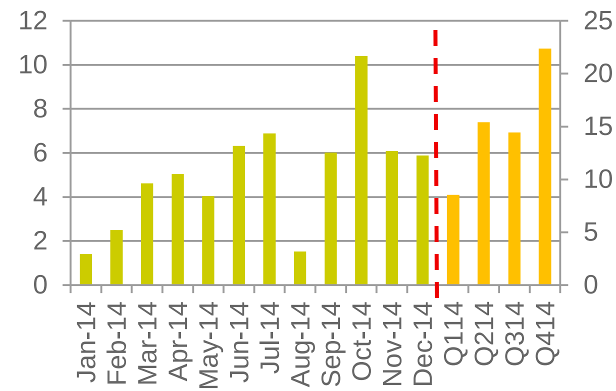
Sales in Russia, kT



Sales in Europe, kT



Steel billets sales, kT



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In addition to decreasing EBITDA 2014 year-end liquidity position was dramatically deteriorated by $85m excess in working capital balance above normal levels as a result of electricity supply interruptions, VAT reimbursement delays and non-collection of certain key debtors

Working capital (WC)	as of 1 Jan 2015		
	Normal level	Actual level (estimate)	Change, +/-
WC in sales	142	189	47
Finished goods	67	86	19
Accounts receivable	75	103	28
WC in production	19	42	23
WC in supply	(41)	(29)	12
Raw materials	37	51	14
Other inventories	20	25	5
Accounts payable	(98)	(105)	(7)
Value added tax	16	19	3
Total WC	**136**	**221**	**85**

Finished goods. Increase in finished goods turnover by 26 days caused by:
- poor economic and political situation in Ukraine (+4 kT);
- Insufficient financing of logistics (+6 kT).

Accounts receivable. Increase of debtors days by 12 days mainly attributable to payment delays from clients in Ukraine, Russia, Caspian region and Latin America.

Working capital in production (+11 days), raw materials (+7 days) and other inventories (+2 days). Interruptions in production process caused by electricity supply issues forced the Company to accumulate reserve work-in-progress and steel billets stocks.

Accounts payable. Liquidity constrains were partly resolved through abnormal stretching of trade creditors.

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Business preservation measures under new economic reality

- Company operations in 2014 and ongoing performance have been severely impacted by:
  - ✓ Closure of the Russian operations (due to combination of the Russian currency depreciation and continuing anti-dumping regime on our products, and consequently, negative margin for Company's products. Russian currency volatility and sharp depreciation impaired Company ability to collect receivables due from Russian clients and to release working capital tied in Russian operations.
  - ✓ Interruptions of electricity supply to Interpipe production and plants, liquidity deficit, uniquely difficult and volatile situation in Ukrainian market and, as the result substantial disruption of the operational cycle of the Company;
  - ✓ Unprecedented level of the non-reimbursed VAT in combination with continuing pressure on the Company's working capital of the unrecovered accounts receivable from Ukrainian and CIS customers.
- Interpipe will have to implement following measures to preserve it's business:
  - ✓ Rethink and optimize its operations on different markets taking into consideration the new business reality, the new restrictions in working capital and production, the current uncertainties and the possibility of further challenges;
  - ✓ Substantially reduce its volume of operations (reduce utilization of certain production capacities, personnel layoffs etc.) in order to adjust cost base. This will inevitably include very unpopular actions (in particular reduction of a headcount in a situation of growing depression in the local economy);
  - ✓ unprecedented cash preservation measures including suspension of the debt services and restructuring of some of its trade credits and use of factoring for part of its accounts receivable in order to improve its liquidity position.

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