

iWheel



KLW customer newsletter Nº1, 2014 (3)

- KLW new vision
- Alexander Garkavij: "From wheel products to wheel services"
- Railway axles - next stage in KLW development



CONTENTS



EDITION TOPIC: KLW NEW VISION

KLW Sales Team: customer-oriented approach	4
Alexander Garkavij: "From wheel products to wheel services"	6
Fadi Hraibi: "Wheel business: results and prospects"	8



INNOVATIONS

Railway axles: next stage in KLW development	9
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QUALITY PRIORITY

Railway wheels production: investments into quality	10
Interpipe NTRP railway wheels shop approved by AAR, VUZ and IRIS	12



PARTNERSHIPS

Interpipe sells billets for railway products	13
Skoda trains use KLW wheels	14



EVENTS

International Wheelset Congress: new horizons of the railway industry	16
Railway wheels shop: improvement of labor conditions	18

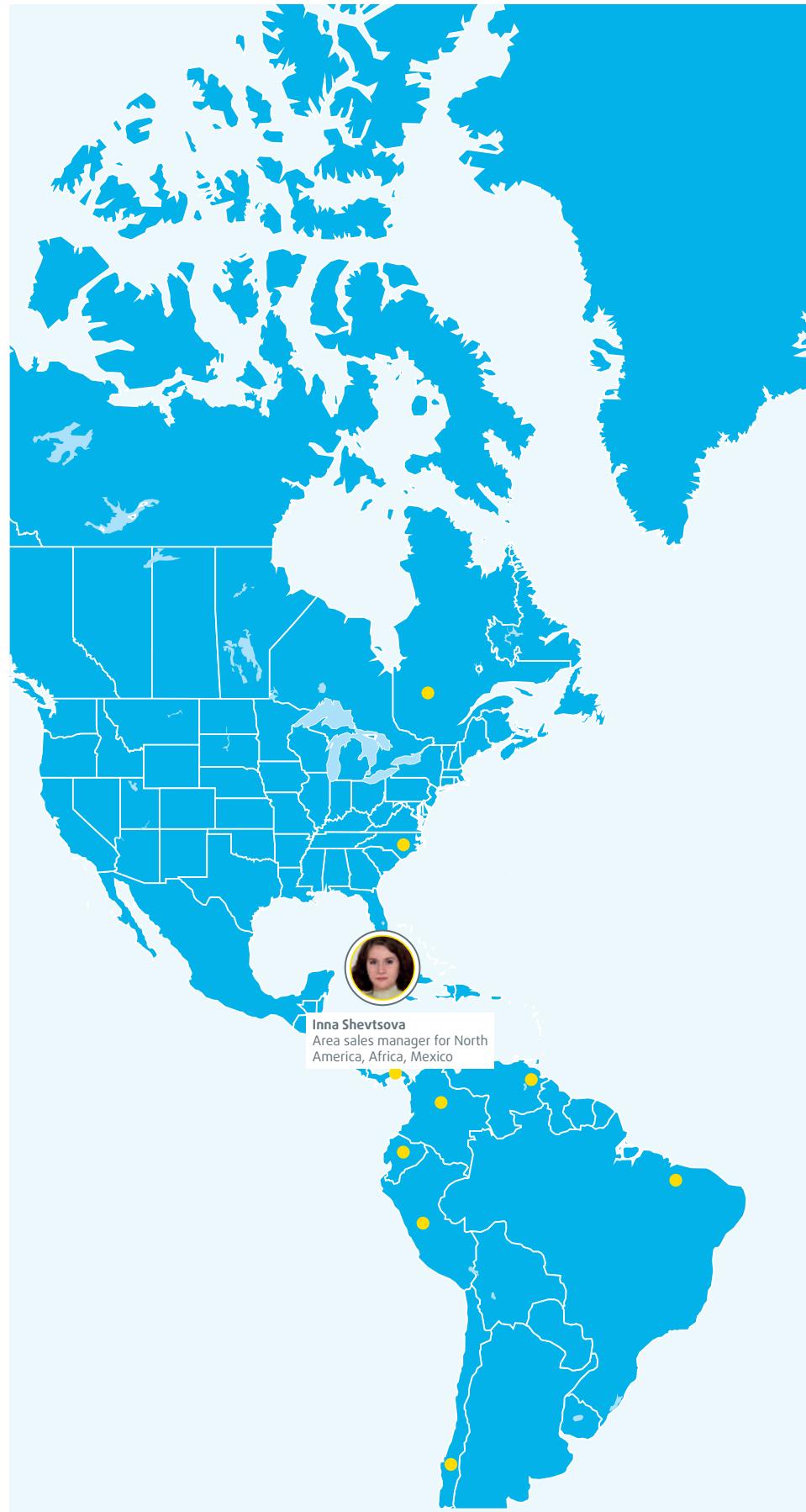


KLW SALES TEAM: CUSTOMER- ORIENTED APPROACH

TO IMPROVE OUR CUSTOMER SERVICE AND TO REINFORCE OUR SALES DEPARTMENTS, WE HAVE MADE A DECISION TO REORGANIZE OUR GEOGRAPHICAL STRUCTURE, TAKING INTO CONSIDERATION OUR PRIORITIES IN REGIONS OF GROWTH.

For the moment, The Wheel Business Sales Department includes three major regional subdivisions for the markets of Europe, Ukraine, The Russian Federation and the Commonwealth of Independent states (CIS).

The Wheel Business Sales Team has also been reinforced with experienced professionals from the railway industry. Preserving the individual approach to its customers traditional for KLW-WheelCo the new team will suggest fresh and unconventional approaches to finding solutions for our customers' business tasks.







ALEXANDER GARKAVIJ: “FROM WHEEL PRODUCT TO WHEEL SERVICES”



Each year marks a new stage in the company's life. Without exception, 2014 has brought a lot of changes to the company's wheel business. The Director for Railway Wheels Sales for Europe and other international markets, Alexander Garkavij, has given a general overview of the wheel market, whilst sharing his vision on KLW development concepts with the iWheel correspondent.

Alexander Garkavij has long-standing experience in the railway industry. Before joining Interpipe,

ALEXANDER GARKAVIJ JOINED KLW-WHEELCO TEAM AS A DIRECTOR FOR RAILWAY WHEELS SALES FOR EUROPE AND OTHER INTERNATIONAL MARKETS IN JUNE 2014. MR. GARKAVIJ IS RESPONSIBLE FOR THE DEVELOPMENT AND IMPLEMENTATION OF SALES AND MARKETING STRATEGY FOR INTERPIPE WHEEL BUSINESS IN EUROPE AND OTHER INTERNATIONAL MARKETS, INCREASING OUR MARKET SHARE AND MAINTAINING RELATIONSHIPS WITH KLW-WHEELCO KEY CUSTOMERS.

Alexander Garkavij held the position of Director of Sales at Valdunes SAS (France).

- How can you describe the railway business in Europe today?

European Railway market has seen a sharp decline in the freight segment since the financial crisis in 2009, which has seen a stabilization over the last few years, but is still very fragile and at a low level compared to the years before the financial crisis. Not only has new build of wagons decreased, the aftermarket segment has seen a decline as well. This reduction in freight traffic is heavily linked with GDP development.

The passenger segment is still strongly developing with ongoing public investment programs, however we have seen several

programs postponed. This is mostly linked to a lack of public funds due to heavy debt within European states and budget deficits. All of this leads to a very competitive market environment.

EUROPE IS THE NUMBER ONE PRIORITY MARKET FOR US AND KLW WILL FOCUS ALL THEIR EFFORTS TO FURTHER PENETRATE THIS MARKET

Together with the railway industry we are expecting markets to recover during the next 2 years, so now we will place all of our efforts on getting ready for this increase, with new solutions and an effective support team.

- What are the main challenges for KLW-WheelCo in this market?





The market environment for railway wheels is rapidly becoming extremely competitive due to worldwide capacity increases in Europe, China, Russia and the US, combined with a shrinking market of wheels. Our challenge will be to provide our customers with superior value proposition compared to our competitors in a market more and more considered as a commodity.

- Could you indicate main focuses on the European market?

In Europe our focus will be on 3 market segments: original equipment for passenger, freight transport (OEM) and After Market customers (AM).

I believe we can offer substantial value for OEMs of passenger rolling stock and we have all the ingredients for this such as metallurgical know-how, strong engineering capabilities, state-of-the-art production facilities and a competitive cost position. Our first target is to penetrate one of the major passenger platforms used for European rolling stock.

For OEMs of freight cars, we have a very strong value proposition for complete wheel sets. We have developed our own axle manufacturing and combining this with wheels and flexibility in multiple places, would enable us to assemble wheelsets as close to our end customers as possible at the pace they need them. This illustrates a unique advantage compared to our main European competitors.

For AM customers we are developing a concept of market stocks both for semi-finished and finished products in Europe that will enable us to offer our products in quantities our customers require in the shortest possible lead-time and of course at a competitive price.



- Do you see any close perspective on international markets? Which markets?

We are working on increasing our presence in international markets such as the Americas, Africa, Australia and Asia, and at the same time we are developing technological solutions for these markets. This includes new steel grades and heat treatment processes, as well as new designs of wheels; this will add value to our offers compared to

KLW-WHEELCO STRATEGIC GOALS ARE TO DEVELOP ON OUR TRADITIONAL MARKETS WITH A WIDER PRODUCT RANGE, WHICH DRAMATICALLY INCREASE OUR CUSTOMER BASE OUTSIDE CIS REGIONS

existing market incubates. We have a brand new steel mill with excellent technical expertise and we will now use it in order to offer tailor made solutions that really solve problems for our customers. One of the biggest prospects at the moment is Heavy Haul wheels in international markets and our vertical integration is a perfect match for this segment.

- Will there be any changes for KLW-WheelCo clients and partners?

Absolutely, all these reflect our new approach – not just to sell products but to provide value together with our products and to make it easier for our partners to work with us. To achieve these ambitious goals KLW-WheelCo has already heavily invested in production capacities and product development, and we are working on increasing our technical expertise even further.

KLW SUCCESS APPROACH SHOULD BE A COMBINATION OF EXCELLENT CLIENT SERVICE WITH TAILOR MADE TECHNICAL SOLUTIONS

We have reinforced our team with experienced sales managers from the countries where we have our key target customer base. Our intention is to further increase our direct sales force and be as close to our customers as possible, understanding their culture, local needs and speaking local language.



FADI HRAIBI: "WHEEL BUSINESS: RESULTS AND PROSPECTS"



- How many wheel products did you produce in 2013 and what are the scheduled volumes for 2014?

Based on the results of 2013 Interpipe NTRP produced around 200 thousand tons of wheel products (approximately 490 thousand wheels).

Due to the quite complicated situation in both Ukrainian and the CIS markets, resulting from both overall market recession and the cutback of Government Purchases, we planned to have wheel production on smaller level in 2014.

- What was the share of export sales in the last year's volumes?

Last year KLW exported more than 50% of its wheel products to 25 countries all around the world. The largest share of export sales came from the following; 11% from European Union countries, 32% from Russia, 6.5% from the CIS, and 2% from India.

- And what is the current situation with the domestic market?

Traditionally, our supplies to the domestic market have a considerable share in the overall structure of KLW wheel product sales. Over the last several years, the share of

MEETING WITH iWHEEL'S CORRESPONDENT, INTERPIPE CHIEF COMMERCIAL OFFICER FADI HRAIBI HAS SHED SOME LIGHT ON THE RESULTS OF KLW-WHEELCO LAST YEAR OPERATIONS AND SHARED HIS VISION ON THE COMPANY'S WHEEL BUSINESS DEVELOPMENT.

internal sales varied from 40% to 60% in aggregate sales volume. The company has itself established partner relations with the key Ukrainian consumers of wheel products, including the government's railway company Ukrzaliznytsya. For example, in 2013 Interpipe produced and supplied more than 27.5 thousand wheels to Ukrzaliznytsya enterprises.

In 2014 Ukrzaliznytsya already placed orders for the production of locomotive and railcar wheelsets for high-speed trains. We rolled 64 wheelsets for 2 Skoda trains and 1000 wheels for Hyundai trains. Wheels for high-speed passenger trains are produced in accordance with the most stringent international requirements. In 2012 INTERPIPE NTRP already supplied similar products to the Great Britain to the Bombardier transportation company, who operate all around the world.

- What are KLW sales development plans for 2014-2015? Are there any specific steps that the company intends to take to ensure its growth in strategic regions?

We consider the markets of Europe and North America as the key markets for Interpipe's wheel business in 2014-2015. This year Interpipe

has already started KLW wheels' deliveries to American market. KLW-WheelCo has signed the contract for delivery of 8500 finished wheels to Mexico.

For the moment, we are working on raising the volumes of our deliveries to Western European markets where KLW-WheelCo has worked these years. Our Company has years of experience operating in European markets, and we fully and clearly understand our customers' needs.

In further prospective the company intends to launch wheel product sales in South America and Australia and to increase the volumes of wheel product deliveries to both the Middle East and Africa.

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

The reorientation of sales to the new markets has conditioned significant changes in the organizational structure of our Commercial Service. Restructuring this service will enable the strengthening of our focus in the regions of growth. Such focusing will enable a better understanding of the needs of our customers and should result in service quality enhancement.





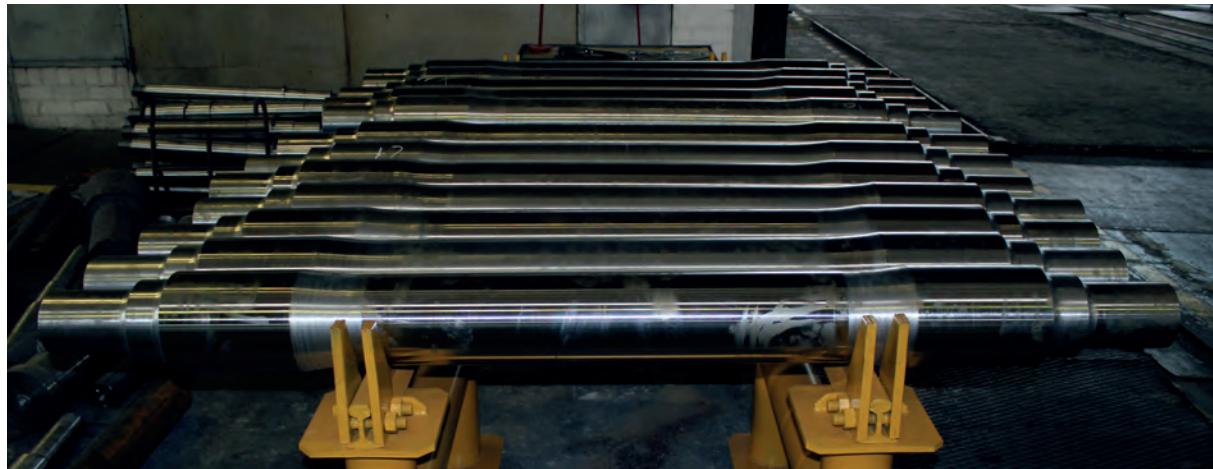
RAILWAY AXLES: NEXT STAGE IN KLW DEVELOPMENT

INTERPIPE HAS COMMENCED THE MANUFACTURING PROCESS FOR ITS NEW PRODUCTS – AXLES FOR WHEELSETS – UNDER EUROPEAN AND UKRAINIAN STANDARDS. THE FIRST SET OF RAILWAY AXLES HAS ALREADY BEEN SHIPPED TO THE COMPANY'S CUSTOMERS.

The quality of these new products fully complies with applicable global standards. Interpipe has already obtained all the necessary certificates of conformance for rough, machined, and finished

axles used for the most widely spread types of wheelsets. For instance, in July the Czech Republic Railway Research Institute (VUZ) certified the production of forged rough blanks and axles

at Interpipe NTRP in accordance with EN 13261:2009+A1 standard requirements. The final production of finished axles is carried out in partnership with large European companies.



Leonid Mogilevskiy,
Interpipe Production Department Manager, said:

"In fact, we have developed these new technologies from scratch. Traditionally all axles are divided into rolled and forged ones, while Interpipe NTRP has developed a technological know-how – a rolled and forged axle. The quality of such axles fully complies with European standards and can successfully compete with products made under conventional technologies".

In response to the existing market demands, KLW-WheelCo intends to continue the expansion of its product portfolio. In the near future technical experts of Interpipe NTRP will commence the development of a project, aimed at the production of wheelsets."



Alexander Garkavij,
Director for Railway
Wheels Sales for
Europe and other
international
markets:

"Mastering the production of wheelset axles is a very promising area of business development. Today, we offer our customers to purchase not only European quality wheels and tyres, but also some components for them".



RAILWAY WHEELS PRODUCTION: INVESTMENTS INTO QUALITY

TO ENSURE THE ENHANCEMENT OF THE WHEEL PRODUCT QUALITY AND TO INCREASE THE EFFICIENCY OF PRODUCTION FACILITIES AND PROCEDURES, INTERPIPE NTRP'S RAILWAY WHEELS SHOP IMPLEMENTED A NUMBER OF INVESTMENT PROJECTS IN 2013 AND 2014.



SOUTH SECTOR WHEEL EXAMINATION STAND

Interpipe NTRP has upgraded the South Sector railway wheel examination stand at the wheel finishing floor of the railway wheels shop.

In the process of such modernization the company has installed and integrated two wheel inspection lines, using the magnetic particle inspection, and installed new manipulator mechanisms with greater efficiency.

RESULT: Such modernization has raised the shop's productivity to 50 wheels per hour and ensured the compliance with GOST 10791- 2011 requirements.



NEW ELECTRIC OVERHEAD TRAVELLING CRANE

A new state-of-the-art overhead travelling crane has been commissioned at the pre-machining floor of the railway wheels shop. The load carrying capacity of this new crane doubles the capacity of the old one, reaching the level of 10 tonnes.

RESULT: New equipment will raise the pre-machining floor efficiency quite considerably and the overhead travelling crane will be able to carry heavy and large-dimensioned cargoes without any limitations.





NEW BARCODING EQUIPMENT

In 2014 the company installed new equipment for products' barcoding at the railway wheels shop export floor, including a computer server, operator's computer, printing device, and data collection terminals.

Using a special terminal, our software, designed by Right Team Company (Dnepropetrovsk), ensures the reading of all information on the wheel products (wheel number, batch number, drawing, etc.) passing the automatic control line. These data sets are then sent to the server – the operator checks them, adds the tape serial number, and sends the data for label printing.

The new equipment fully complies with requirements of S-920 "Component Identification (CID) Barcode Standard" of the American Association of Railroads (AAR).

RESULT: Now the barcoded labels are applied not only to the wheel product for CIS and European countries, but also for the export wheels and tyres for the North American Free Trade Area (NAFTA). Due to new equipment, KLW-WheelCo can supply wheel products to the NAFTA.

In the near future the railway wheels shop of Interpipe NTRP intends to automatize its warehouse management system, which will enable the optimization of operations at the export floor and improvement of shipment documents' preparation quality.





INTERPIPE NTRP RAILWAY WHEELS SHOP APPROVED BY AAR, VUZ AND IRIS

TO ENSURE THE FACT THAT KLW WHEEL PRODUCT QUALITY NOT ONLY COMPLIES WITH, BUT EVEN EXCEEDS THE REQUIREMENTS OF STANDARDS, INTERPIPE NTRP'S RAILWAY WHEELS PRODUCTION FACILITIES UNDERTAKE AUDITS BY INTERNATIONAL CERTIFICATION AGENCIES AND GLOBAL LEADERS OF THE RAILWAY INDUSTRY.

AAR CERTIFICATION



Association of American Railroads has prolonged the validity of Interpipe NTRP Quality Management System certificate under the AAR M-1003 standard.

Auditors have inspected 14 out of 24 elements of the Quality Management System – from document control and internal audits to packing and shipment of finished products – and confirmed that this system fully complies with Association of American Railroads requirements.

IRIS INTERNATIONAL STANDARD



Technical experts of TUV Rheinland (Italia) have inspected all processes of the company's railway wheels shop control system and confirmed its compliance with IRIS (International Railway Industry Standard).

VUZ RE-CERTIFICATION AUDIT



The re-certification audit by the Czech Republic VUZ Institute has confirmed that the Quality Management System at the mill meets the requirements on technical and operational compatibility.

VUZ representatives have noted that wheel product manufacturing process at Interpipe NTRP fully complies with the European level and enables the deliveries of high-quality products for European Union customers.





INTERPIPE SELLS BILLETS FOR RAILWAY PRODUCTS

IN 2013 THE COMPANY LAUNCHED THE SALES OF STEEL BILLETS, PRODUCED AT INTERPIPE STEEL. THE QUALITY OF BILLETS OUT OF PIPE AND TRANSPORT STEEL GRADES HAS BEEN ALREADY APPRECIATED BY COMPANY'S CUSTOMERS IN UKRAINE, THE CIS AND EUROPE.

After the shipments of trial lots, the largest manufacturers of railway products have already placed their next orders for wheel and axle blanks, made by Interpipe. In 2013 we supplied approximately 20,000 tones to our external customers (approximately 17,000 tons to the domestic market, while the balance included the deliveries to Europe and the CIS).

The list of regular partners of the company includes the Ukrainian wheelset manufacturer and a number of European railway transport market key players from Spain, Poland, Czech Republic, and Germany.



Fadi Hraibi,
Interpipe
Chief Commercial
Officer, said:

"Interpipe Steel has reached its designed production rates and can provide high-quality steel billets not only for the company's production facilities, but also for external customers. 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 tons of steel billet sales a year. The mastering of the steel billet market, which is quite new for us, is one of the priorities for our company's development".





INTERPIPE SELLS BILLETS FOR RAILWAY PRODUCTS

To satisfy the demands of its customers, Interpipe Steel continuously masters the production of new steel grades, meeting the specification requirements of the company's individual customers.

PRINCIPAL STEEL GRADES FOR WHEEL PRODUCTS:

Steel grades	Use	Standard
ER6, ER7*, ER8*, ER9*, and similar to them		EN 13262
A, B, C*	Production of forged wheels	BS 5892 (part 2)
Steels 2, T		AAR M 107/208
B2*, B3, B5, B6		GOST 10791
Steel 2*	Production of tyres	UIC 810-1
EA1N		GOST 398
F*	Production of axles	EN 13261
OS		AAR M 101
		GOST 4728

* - mastered in 2014 in an export-type variant

SKODA TRAINS USE KLW WHEELS

INTERPIPE HAS CONCLUDED AN AGREEMENT WITH UKRZALIZNYTSYA ON THE DEVELOPMENT AND SUPPLY OF FORGED WHEELS FOR RAILCARS OF SKODA AND HYUNDAI HIGH-SPEED TRAINS.

In the framework of this project Interpipe NTRP technical experts have designed 4 new dimension-types of wheels – two types for both Czech and Korean railcars. The first stage of the project has consisted in the development of two new dimension-types of wheels for Skoda railcars. The mill has developed and produced a trial lot of 920 mm diameter wheels in accordance with KR-0048-13 and KR-0052-13 drawings. The yearly volume of wheel deliveries to Ukrzaliznytsya for Skoda high-speed trains is 1000 pieces.

The mill's experts are currently involved in the mastering of railway wheel production for Hyundai railcars. Interpipe NTRP's team of experts has already commenced the implementation of a project on the development of two designs for 840 mm diameter wheels.





Alexander Roslik,
Wheel and Tire Technol-
ogy Department Man-
ager, said:

"Skoda and Hyundai Corporations supply their products to a huge number of countries worldwide. If our wheels successfully pass 1.5-2 year performance tests, we will be able to enter these markets. In addition to this, a perspective of collaboration with Alstom and Siemens is a possibility for us, because they use similar designs for their high-speed train railcars".

Sergey Nechvolda,
Principal Engineer at
Ukrzaliznytsya, and
Chief Directorate on
Development and
Technical Policy, said:

"It is extremely important for us to have a local wheel producer. We truly appreciate Interpipe NTRP's assistance and are ready to collaborate and keep fully engaged with the times. The quality of the mill's products is very high, as high as the level of their control on the manufacturing process".



PROJECTS FEATURES:

- Adaptation for Ukrainian railroad operating conditions: mechanical properties of wheels meet GOST 10791-2011 requirements, while configuration and geometry comply with EN 13262 – European norms for high-speed trains
- Quality of metal and wheel machining exceeds similar rates of European manufacturers due to the use of billets, made by the innovative steel-melting complex INTERPIPE STEEL, and state-of-the-art mechanical operation machines, which in fact have been confirmed by certificates of conformance from leading railroad operators around the world
- Ukrzaliznytsya representatives have personally inspected the quality of the products made and examined technological normative documents and the staff qualification level

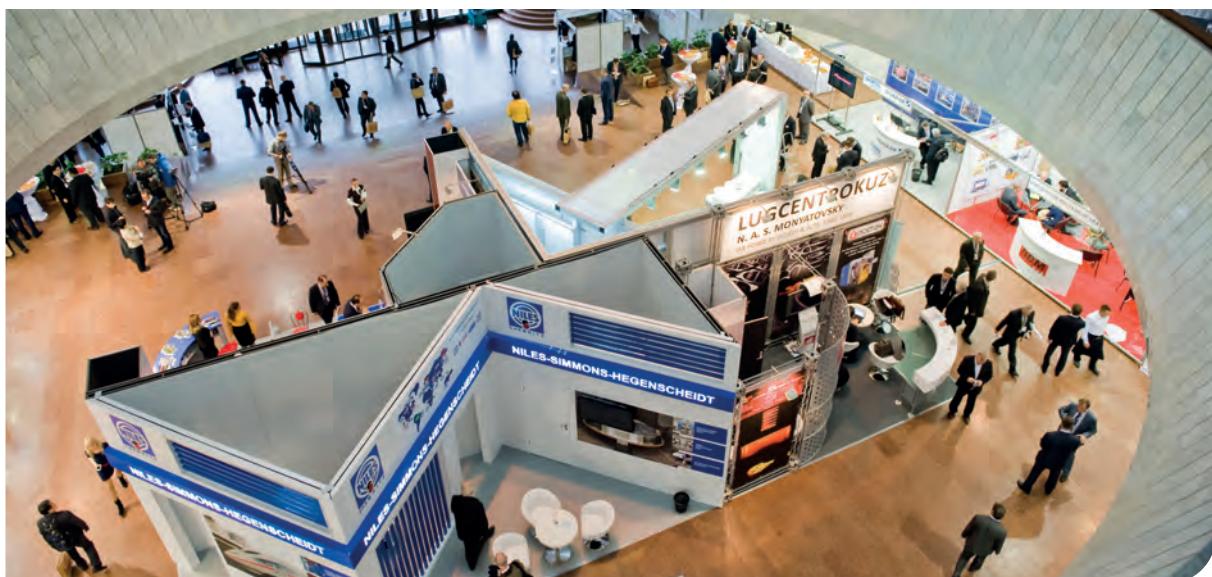
INTERNATIONAL WHEELSET CONGRESS: NEW HORIZONS OF THE RAILWAY INDUSTRY

KLW - WHEELCO WAS ONE OF THE MAIN ORGANIZERS OF THE 17TH INTERNATIONAL WHEELSET CONGRESS AND GATHERED MORE THAN 300 REPRESENTATIVES FROM THE RAILWAY INDUSTRY TO UKRAINE FROM ALL AROUND THE WORLD.

Experts from 34 countries have discussed major trends in the railway industry and one of the industry's

key problems – increasing the operational lifecycle of the wheelsets. A separate session has also been

devoted to the rapidly-growing railway market of the CIS.





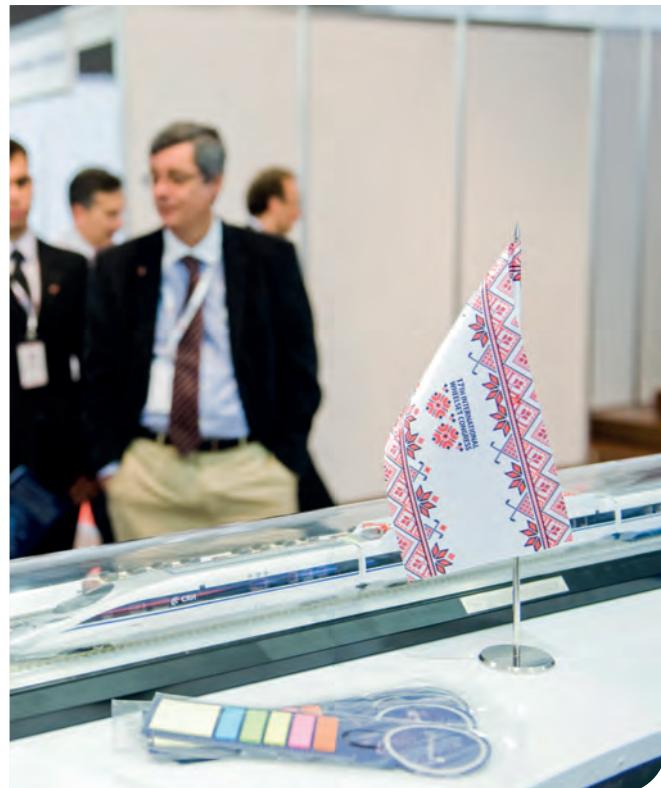
In addition to this, 15 of the largest railway companies from all around the world have presented their achievements at the exhibition, including Lucchini, CAF, Kolowag, SMS-MEER, BVV, Niles-Simmons and KLW-WheelCo.

"International Wheelset Congress has gathered the best professionals and experts of this industry from all over the world. As a regular IWC participant, I have noted a truly high level of discussions and reporting quality at this year's

event. It is quite symbolic that this conference is hosted by Kiev, since it is not only a magnificent and picturesque city, but also an important part of the global railway infrastructure". Pavel Monasek, Bonatrans

"The Congress has presented revolutionary research and studies in the railway transport field, which will enable the enhancement of efficiency, productivity, and safety of railway transportation". Raimund Abele, UNIFE

"As a Ukrainian by origin, I am sincerely happy that lots of Ukrainian companies have been presented here. The scientific and engineering thought gets developed quite proactively in Ukraine, following the increasing demands of the rapidly-growing market". Yuri Kozik, AEbt Angewandte Eisenbahntechnik





RAILWAY WHEELS SHOP: IMPROVEMENT OF LABOR CONDITIONS

INTERPIPE NTRP FULLY UNDERSTANDS THAT THE QUALITY OF THE MILL'S PRODUCTS ALSO DEPENDS ON EMPLOYEES' LABOR CONDITIONS. TO ENHANCE THE LATTER, IN 2013-2014 THE MILL RECONSTRUCTED THE ADMINISTRATIVE AND PERSONNEL SERVICE BUILDING OF THE RAILWAY WHEELS SHOP.

The mill does its utmost to ensure that working at the facility holds lots of pleasure for the staff, and labor conditions of metallurgists comply with requirements of the best global standards. Today more

than 300 employees of both rolling and export floors, as well as the floor for wheel full-profile mechanical operation, finishing at the railway wheels shop, are provided with up-to-date and comfort-

able personnel service rooms and walk-in showers. The mill has also installed large mirrors and convenient portable hairdryers for the beautiful half of mankind.

VLADIMIR MUKHA, FOREMAN AT THE RAILWAY WHEELS SHOP EXPORT FLOOR, SAID:
"We have never seen a better personnel service facility".

LYUDMILA KOROLYOVА, STOREKEEPER AT THE WHEEL FULL-PROFILE MECHANICAL OPERATION FLOOR, SAID:
"They have provided everything women may require. They have put everything in order in our 'home', which is truly to our liking, and we feel much happier at our working environment now!"





Interpipe Central trade GmbH
Corneliusstrasse 34
60325 – Frankfurt am Main, Germany
Phone +49 173 157 58 05, +49 695 050 258 50

KLW WheelCo SA
Via San Salvatore 13 – P. O. Box 745
CH-6902 Paradiso – Lugano, Switzerland
Phone +41 91 261 39 10, Fax +41 91 261 39 19
E-mail: info@klw-wheelco.ch
www.klw.biz
