

Fitch Downgrades Interpipe to 'RD'; Off RWN

Fitch Ratings-London/Moscow-18 December 2009: Fitch Ratings has today downgraded Ukraine-based pipes and railway wheels producer Interpipe Limited's (Interpipe) Long-term Issuer Default Rating (IDR) to 'RD' (Restricted Default) from 'CCC'. The agency has simultaneously downgraded Interpipe's senior unsecured rating to 'C' from 'CCC' and revised the Recovery Rating to 'RR6' from 'RR4'. Fitch also downgraded the company's Short-term IDR to 'D' from 'C'. All ratings have been removed from Rating Watch Negative (RWN).

The downgrades reflect the uncured payment default on some of Interpipe's bank debt facilities and the company's confirmation of its cross-default on its major bank debt facilities and USD200m eurobonds. Fitch believes there is significant risk that Interpipe may experience payment default on its other debt facilities once the existing understandings with banks over payment deferrals lapse. Fitch understands that these will need to be renewed at the beginning of January 2010. The agency also believes that Interpipe's negotiations with its creditor group may be challenging, due to the complex creditor relationship and difficult operating and credit environment.

As at end-Q309, Interpipe had total debt of USD900m, of which 47% was secured by company assets and future sales proceeds. Fitch is concerned about the company's liquidity due to negative free cash flow, significant capital commitments under its electrical arc furnace (EAF) construction programme and potential acceleration of debt repayments by Interpipe's creditors. The Recovery Rating on Interpipe's senior unsecured notes of 'RR6' indicates poor recovery prospects in the event of default.

Contacts:

Sergey Grishunin, Moscow, Tel: + 7 495 956-5520

Peter Archbold, London, Tel: +44 20 7417 6334.

Media contact:

Marina Moshkina, Moscow, Tel: + 7 495 956 6904/9901,
marina.moshkina@fitchratings.com.

Additional information is available on www.fitchratings.com.

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