



**3 months 2021**

# **Operational and Financial Overview**

# Disclaimer

This presentation (“Presentation”) has been prepared by Interpipe Holdings Plc and its subsidiaries (jointly referred to as the “Company”)

The Presentation shall not be considered as investment, legal, tax, or accounting advice by the Company or any employee or other representative thereof, nor does it form a part of any offer for purchase, sale, or subscription of, or solicitation, or invitation of any offer to buy, sell, or to subscribe for any securities

The Presentation may also contain forward-looking information and statements. These may include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives, and expectations with respect to future operations, and statements regarding future performance. Such information and statements are subject to various risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements

Each part of the Company, its employees and other representatives expressly disclaim any and all liability for the contents of, or for omissions from, this document or any written or oral communication transmitted or made to any person in connection with the Presentation








The Presentation is based on business, general economic, market, and other conditions that could be reasonably evaluated by the Company as of the Presentation date. The business and financial conditions of the Company are subject to change, which may not be reflected herein

In furnishing this Presentation, the Company does not undertake any obligation to provide the recipients with access to any additional information or to update the Presentation or any additional information or to correct any inaccuracies in any such information which may become apparent











# Key highlights of Q1 2021



-  In Q1 2021, the global economy was on its path to recovery and economic growth. But the pandemic recession had been severe and consumption levels were still far from the pre-pandemic level
-  On one hand, on the back of the oil price rally oil & gas industry had been recovering for the third consecutive quarter further stimulating demand on OCTG and linepipe. The US, CIS and Ukraine were key regions where capex spending and drilling programs had been growing
-  Stable growth of consumption in the European and MENA construction sector remained a key driver for sustainable linepipe sales
-  On another hand, the price rally on raw materials and steel products caused an additional downward pressure of the Company's production margins both in pipe and railway product segments as their sale prices were lagging the appreciation of production inputs
-  On the top of the appreciation of production costs the Company's performance was adversely impacted by new trade barriers:
  - In February 2021, the US Department of Commerce announced preliminary results of the anti-dumping investigation initiated against producers of carbon and alloy steel standard, line, and pressure pipes from South Korea, Czech Republic, Russian Federation and Ukraine: Interpipe's linepipe fell under the 41.23% antidumping duty in addition to the 25% duty imposed earlier under Section 232 of the Trade Expansion Act of 1962 applied to most steel products imported into the US
  - Starting from February 9, 2021, the Russian Federation introduced an embargo on import of Ukrainian railway products which affected GOST-type wheels produced by Interpipe
-  Following the loss of the Russian railway product market Interpipe had to undertake certain cost cutting measures (incl. lay-off or reprofiling of staff from the railway product to the pipe segment) and search for compensators redirecting sales to other regions
-  At the same time, the Company is on its track with respect Capex having spent USD 17M both for maintenance and expansion programs in Q1 2021

# Q2 2021 business environment update and outlook



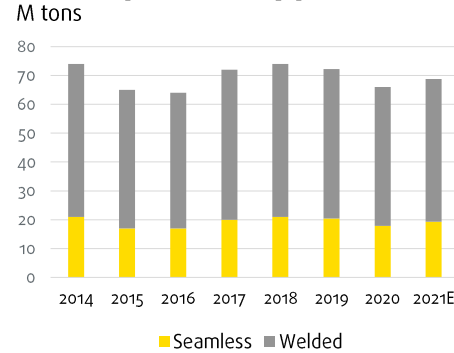
-  In Q2 2021, Interpipe continues suffering pressure on its cost base due to the ongoing growth of prices on key production inputs (scrap, natural gas, etc)
-  However, amid gradually growing market confidence and consumption of pipes subsequently, the Company has been quite successful in passing this negative effect over to off-takers being more aggressive in pricing new orders
-  At the same time, growth of prices for raw materials and expansion of the Company's sales in the pipe segment particularly requires substantially more outlays in Working Capital
-  In the first months of Q2 2021 Interpipe has also succeeded in redirecting of sales volumes of wheels lost due the Russian embargo to other destinations: the US, CIS, Europe and India, having reached ca. 15K tons of railway products per month (which is effectively close to the pre-embargo monthly levels). At the same time, margins in these markets are materially lower
-  In addition, despite the embargo in Russia other countries of the Customs Union (Belarus, Kazakhstan, etc) has remained duty free since the beginning of February as the 34.22% anti-dumping duty was abolished
-  In April, the Ukrainian government passed the bill on extension of the EUR 58 per ton export duty on scrap for 5 years that is to contribute to the long-term predictability and manageability of scrap procurement for domestic steel producers
-  Based on the above the management of the Company expects overall business performance improvement in Q2 2021 compared to Q1
-  Successful settlement of the USD 300M Eurobond due in 2026 has brought sufficient liquidity that should also provide ample opportunities to fund Working Capital needs and secure the Capex program

# Pipe market

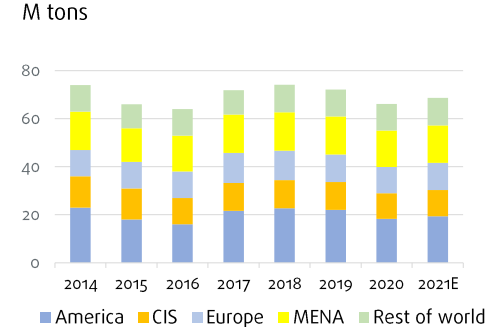


- The US economy grew at an annual rate of 6.4% in Q1 2021, it is a faster rate than the 4.3% recorded at the end of 2020. The U.S. OCTG and linepipe demand has been growing as drilling rates recover from month to month.
- Demand for pipe products in the US reversed the negative trend and grew by 22% q-o-q in Q1 2021 providing an advantage to imported products as domestic mills were not able to reactivate capacities as quickly as it was demanded by the market
- Oil & gas and construction projects in the MENA grew by 49% q-o-q in Q1 2021 having supported demand on linepipe and OCTG in the region. Despite that many projects remained frozen, we observed more and more contracts moving forward providing ample opportunities to oil & gas companies to get back to pre-pandemic drilling rates soon
- The EU economy still struggled with effects of the pandemic and lockdowns. The EU economy was down by 0.4% q-o-q and by 1.7% y-o-y in Q1 2021 pursuant the 0.5% q-o-q decline in Q4 2020
- At the same time, Europe is already on the mend following moderating spread of the coronavirus in major economies like Germany and France. Construction sector (one of key consumers of linepipe) was on its track of recovering + 1.2% q-o-q in Q1 2021
- The domestic market showed a mixed sentiment in Q1 2021:
  - On one hand, oil & gas companies were active in resuming their capex programs at the beginning of 2021 stimulating demand for tubular products. As an evidence, rig count grew from 25 up to 29 by the end of the quarter
  - On another, construction industry went down by 12.3% y-o-y undermined by the partial lockdown across the country

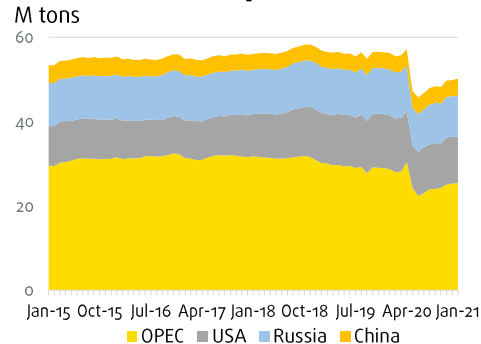
Pipe market by products<sup>1</sup>



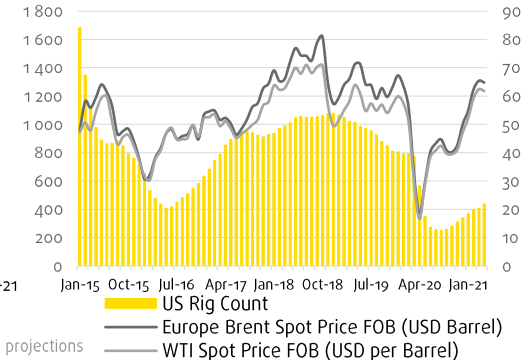
Pipe market by regions<sup>1</sup>



Crude oil production



Crude oil price and rig count



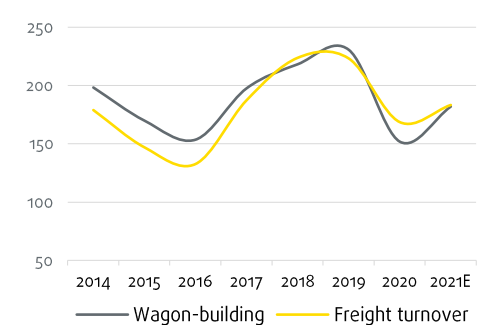
1. Excluding China. 2021 forecasts are as per the management's projections

# Railway product market

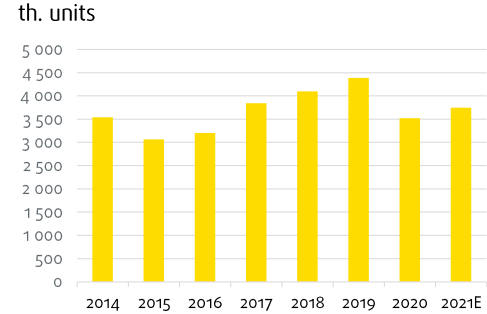
- In Q1 2021, the global railway product market was still undermined by the COVID-19 crisis and related lockdowns following several waves of limitations worldwide
- The market regained some volumes in Q4 2020 and Q1 2021, but manufacturing capacities were not utilized in full and after-market segments lacked financing
- Wagon manufacturing industry in European countries have been limited in business activity for a long time due to lockdowns showed a 18% y-o-y decrease in 2020. Following slow recovery in Q1 2021 the market is expected to grow more rapidly in H2 2021
- Ukrainian market dropped by 70% y-o-y in 2020 having brought down production of new wagons to minimum levels (did not exceeded 200 wagons per month)
- At the same time, the Ukrainian state company Ukrzaliznytsia (UA Rail) continued postponing purchases of new wagons



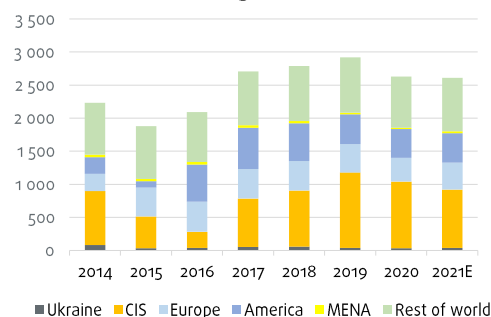
**Global markets' wagon building and freight turnover**



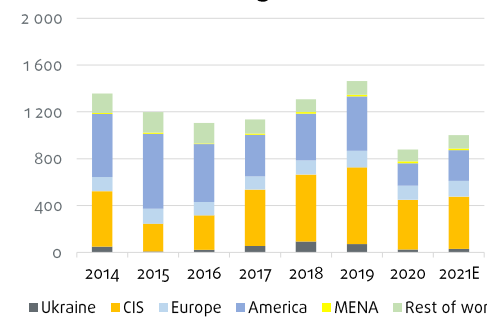
**Railway wheel market<sup>1</sup>**



**Railway wheels for after-market segment<sup>1</sup>**



**Railway wheels for wagon-building segment<sup>1</sup>**

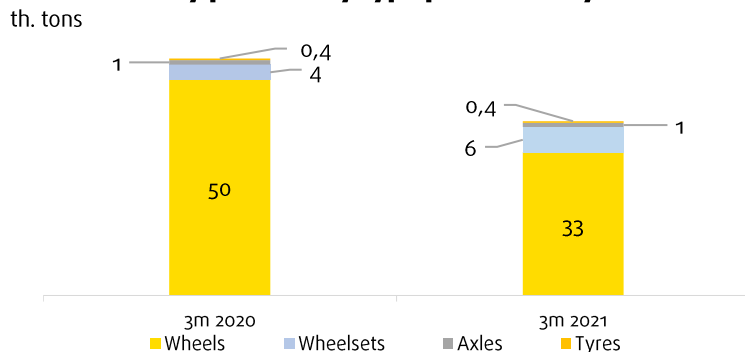


1. Excluding China. 2021 forecasts are as per the management's projections

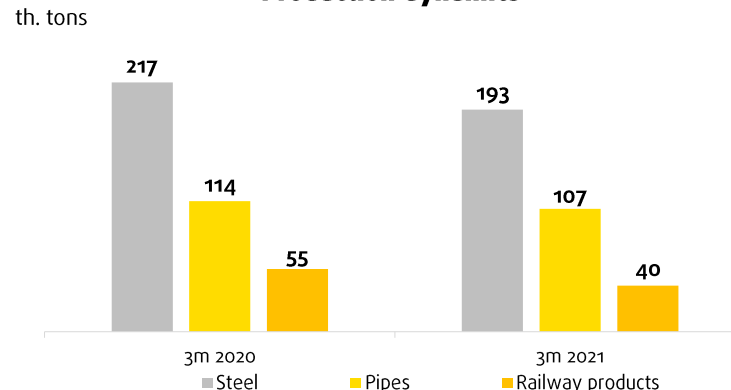
# Operational Results

- The 3 months 2021 production figures and dynamics mostly reflected the sales pattern of the Company within this period, however the improved market sentiment closer to the end of Q1 2021 fostered swifter production volumes recovery
- Pipe production volumes despite the ongoing gradual market rebound (especially in OCTG segment) accounted 6% y-o-y less comparing to Q1 2020
- Railway product production figures dropped by 26% y-o-y as were affected by the embargo imposed for Ukrainian wheels in Russia since the beginning of February and still low demand from domestic off-takers
- Steel production went down by 11% y-o-y in the 3 months 2021 effectively averaging the decline of pipe and railway product production

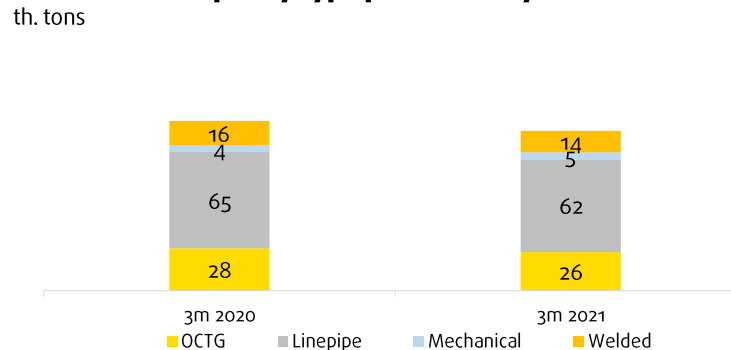
## Railway products by type production dynamics



## Production dynamics



## Pipes by type production dynamics



# Pipe Segment: Sales portfolio



In the 3 months 2021, nominally pipe revenue grew by 10% y-o-y on the back of decline in volumes by 6% y-o-y:

- OCTG: despite the post-outbreak market recovery sales volumes declined by 12% y-o-y
- Linepipe: sales volumes were more or less stable yielding a marginal decline of 3% y-o-y
- Mechanical pipe: sales volumes gained 8% y-o-y though their contribution in the total sales was de-minimis
- Welded pipe: sales dropped by 10% y-o-y on the back of the rally of HRC market prices along with other steel commodities

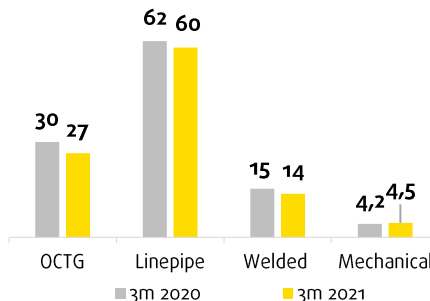
Both sales in Ukraine and Europe marginally declined by 2-3% y-o-y

Notwithstanding a noticeable strengthening of demand for OCTG, total pipe sales to the American market yet fell by 5% y-o-y

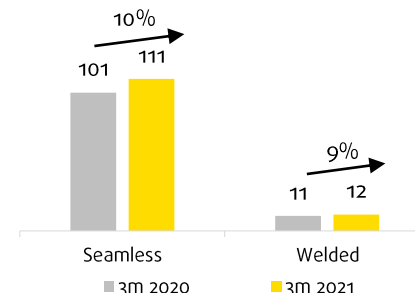
Shipments to the MENA region also went down by 16% y-o-y due to lower OCTG sales

In Q1 2021, 2/3 of the pipe revenue came from export sales

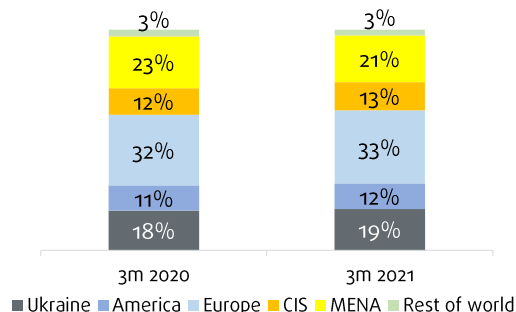
**Pipe sales volumes by production type**  
th. tons



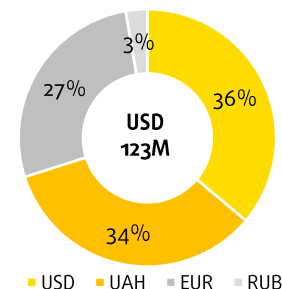
**Pipe revenue by production type**  
USD mln



**Pipe sales volumes split by region<sup>1</sup>**



**Currency breakdown in 3m 2021**



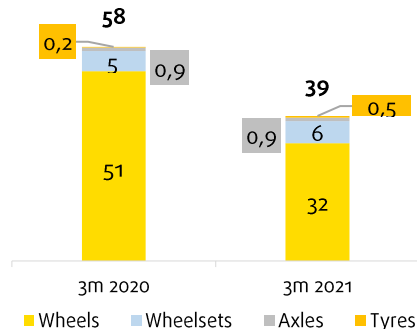
1. Physical volumes split (in tons sold)



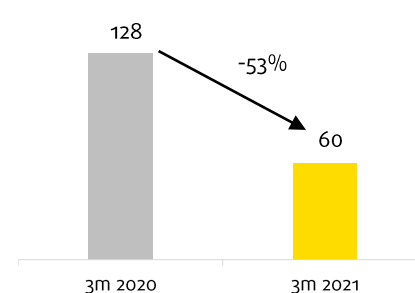
# Railway product segment: Sales portfolio

- In Q1 2021 railway product revenue plunged by 53% y-o-y while sales volumes fell by 32% y-o-y
- Sales to the CIS countries remained comprising the larger part of the total volume sold in Q1 2021 - 51%, up from 45% in Q1 2020
- However, sales volumes to CIS customers experienced a dip of 23% y-o-y. Rail car production and after-market operations were suppressed with COVID-19 outbreak consequences as well as a result of the embargo on sales to the Russian Federation imposed in February
- Domestic sales volumes in Ukraine plummeted 73% y-o-y reflecting a deep recession in local wagon-building industry
- Sales to Europe continued staying at 30% of total volumes. In Q1 2021 the European region lost 30% of sales volumes y-o-y
- At the same time, as a part sales redirecting strategy volumes sold to America hiked by 71% y-o-y boosting region's share in total sales from 3% to 8%
- In Q1 2021, 90% of the railway product revenue came from export sales

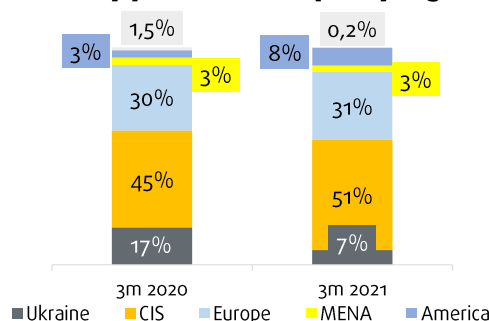
**Railway product sales volumes**  
th. tons



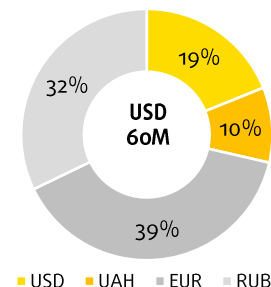
**Railway product revenue**  
USD mln



**Railway product sales split by region<sup>1</sup>**



**Currency breakdown in 3m 2021**



1. Physical volumes terms split (in tons sold)

# ESG update

## E

- Interpipe remains committed to the highest standards of environmental protection and implementation of energy efficiency projects
- Interpipe Steel's CO<sub>2</sub> emission is **already lower than the 2050 EU** regulatory requirements
- Interpipe Steel is one of the **most modern and efficient EAFs** in Europe
- Environmental impact and energy efficiency and compliance with the best market standards is a key criterion for all Interpipe investment projects
- Interpipe is a benchmark company of ecological modernization in Ukraine

## S

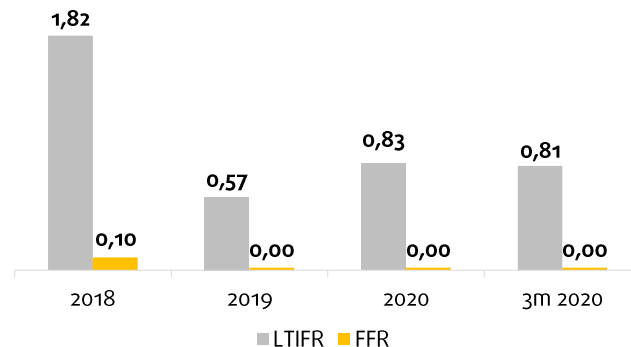
- Interpipe remains committed to ensuring sustainable production activity across its facilities in light of COVID-19: **UAH 2.1mm** were spent to support regional healthcare within the 3 months 2021
- Within Q1 2021, Interpipe contributed **UAH 590M (over USD 21M)** in taxes (incl. CIT) and duties to state budgets of all levels and extra-budgetary funds
- In Q1 2021, **3 injury cases** occurred at Interpipe's production facilities
- Interpipe spent **UAH 4.4mm (ca. USD 160K)** within the 3 months 2021 on health & safety and working conditions

## G

- The Board of Directors consists of **eight Directors**, with seven of them being **non-executive**
- There are **three Independent Directors** which makes 38% of the Board of Directors and is in line with best market practices
- In February 2021, **Denys Morozov** has been appointed as the **first deputy of CEO** responsible for operations and **Sergiy Kuzmenko** has been appointed as Interpipe's **CFO**
- In Q1 2021, the Board of Directors approved the distribution of **dividends from operational cash flows** of the Company in amount of **USD 80M**, thereof: **USD 40M** were paid out in cash in **March 2021** and the remainder **USD 40M** are expected later in **2021**

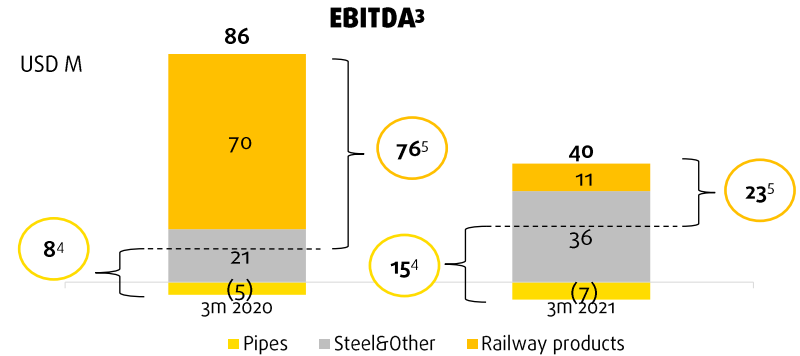
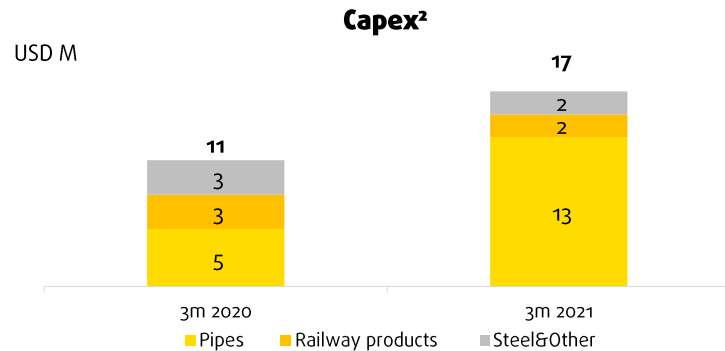
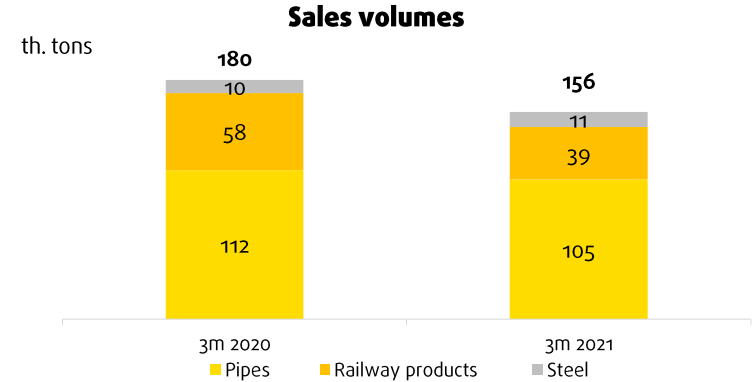
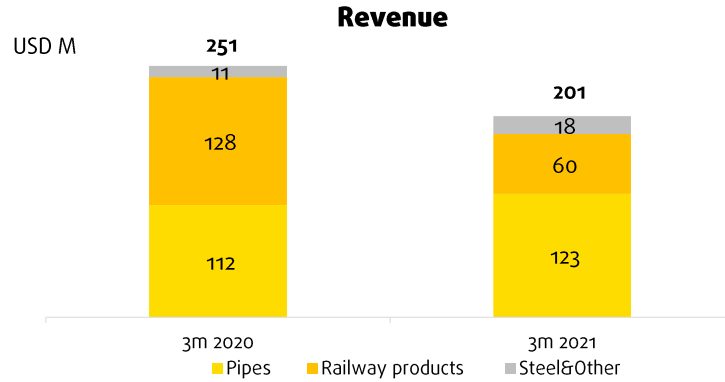


### LTIFR<sup>1</sup> and FFR<sup>2</sup>



1. The lost time injury frequency rate (LTIFR) is a number of lost time injury cases per 1M man-hours  
2. The fatality frequency rate (FFR) is a number of fatality cases per 1M man-hours

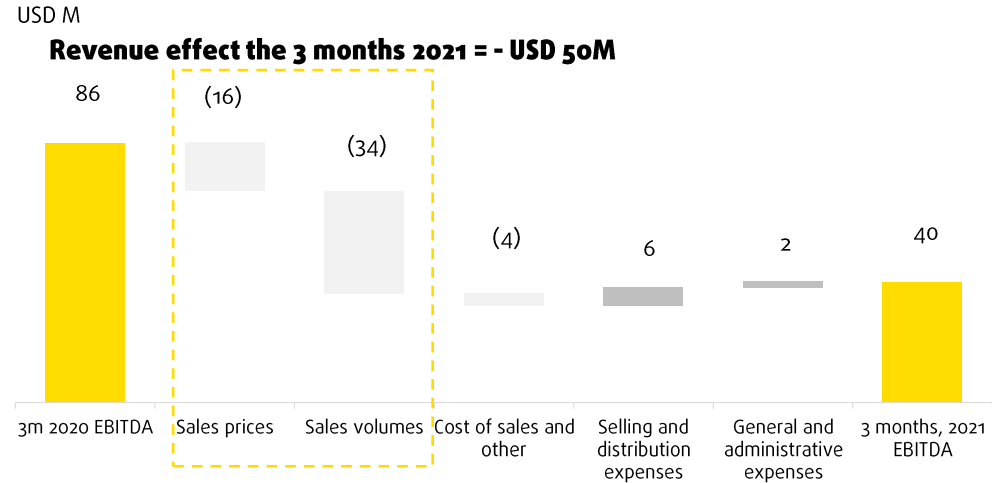
# Financial Highlights<sup>1</sup> of the 3 months 2021



1. Financial figures are presented based on the unaudited consolidated financial statements for the three months 2021 prepared according to the IFRS  
 2. Capex figure represents the line Purchases of property, plant and equipment and intangible assets as part of the net cash flow from investing activities  
 3. EBITDA is calculated as an operating profit (or loss) plus depreciation and amortization charges, plus impairment of property, plant, and equipment and intangible assets, plus loss / (gain) on disposal of property, plant, and equipment, plus extraordinary losses / (gains), and plus operating foreign exchange gain/(loss)  
 4. EBITDA of the pipe segment on a pass-through basis reallocating the relevant portion of EBITDA from the steel segment to the pipe segment  
 5. EBITDA of the railway product segment on a pass-through basis reallocating the relevant portion of EBITDA from the steel segment to the railway product segment

# EBITDA

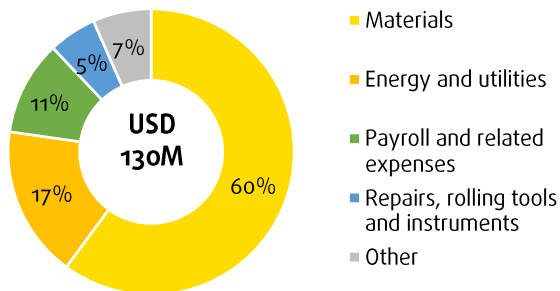
- The 3 months 2021 EBITDA<sup>1</sup> dropped by 53% y-o-y and amounted to USD 40M
- As said, sharp ongoing appreciation of raw materials in Q1 2021 in conjunction with a common 2-4 month sales cycle for pipe and railway products - led to a weaker performance of the business on the y-o-y basis for the period
- In Q1 2021, on the back sky-rocketed market prices on steel commodities, the steel making segment became the main contributor to the overall EBITDA – USD 35M (87% of total) having hiked by 70% y-o-y
- Despite some recovery signals in pipes, the standalone EBITDA of the segment yet remained negative due to appreciating cost base
- However, on the pass-through basis the pipe segment EBITDA (after reallocating EBITDA from the steel making segment) turned to be positive (USD 15M)
- Imposition of the embargo on impot of Ukrainian railway products by the Russian Federation was the main driver of deterioration of the railway product segment performance: both standalone and pass-through EBITDA for the 3 months 2021 declined by 84% y-o-y and 70% y-o-y respectively (amounting USD 11M and USD 23M, respectively)



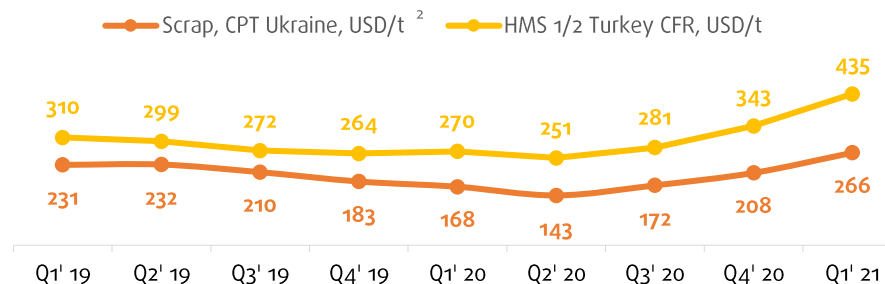
1. EBITDA is calculated as an operating profit (or loss) plus depreciation and amortization charges, plus impairment of property, plant, and equipment and intangible assets, plus loss / (gain) on disposal of property, plant, and equipment, plus extraordinary losses / (gains), and plus operating foreign exchange gain/(loss)

# Cost structure for the 3 months 2021

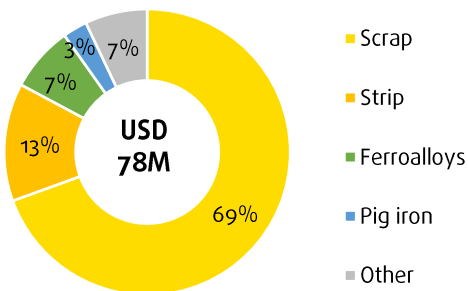
## Cost of Sales breakdown<sup>1</sup>



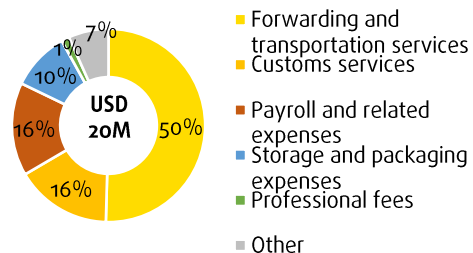
## Evolution of local and imported scrap prices



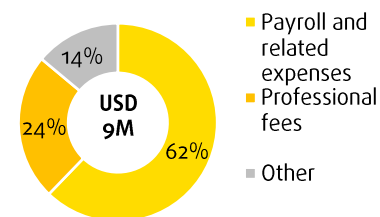
## Materials breakdown



## Selling & Distribution costs<sup>1</sup>



## General & Administrative costs<sup>1</sup>

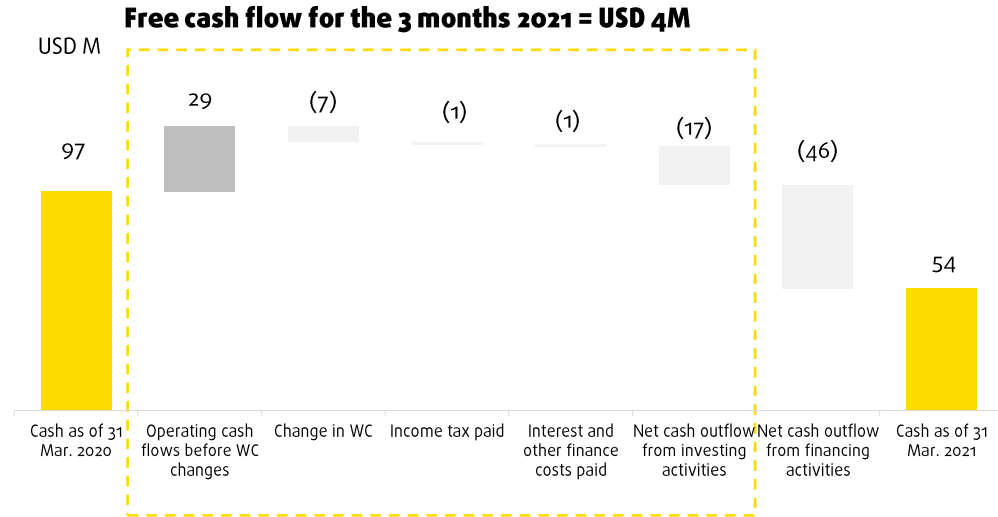


1. Net of Depreciation & Amortization item

2. Prices converted from UAH into USD at average UADUAH rates for respective periods

# Cash flow

- The 3 months 2021 free cash flow<sup>1</sup> turned to be marginally positive and amounted to USD 4M
- Conversion of the 3 months 2021 EBITDA into Operating Cash flow before WC changes remained strong – 73%. The delta was mainly attributable to movement in provisions
- Key uses of Operating Cash flow before WC changes (USD 29M) were:
  - Increase in working capital (USD 7M)
  - Capex program (USD 17M)<sup>2</sup>
- Net cash outflow from financing for the 3 months of 2021 amounted to USD 46M comprising of the final redemption Notes 2024 in amount of USD 6M and USD 40M dividend pay out in March 2021



1. Free cash flow is calculated as the net cash flow from operating activities less the net cash flow from investing activities

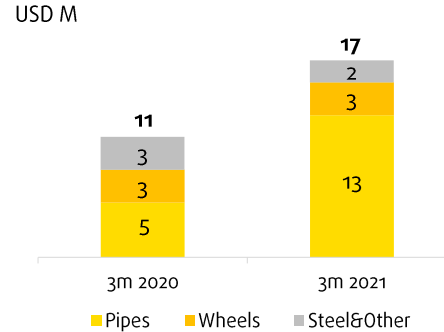
2. Net cash outflow from investing activities consists of USD 17M of Capex net of USD 0.4M of Interest received and USD 0.2M of Proceeds from sale of property, plant and equipment

# Capex

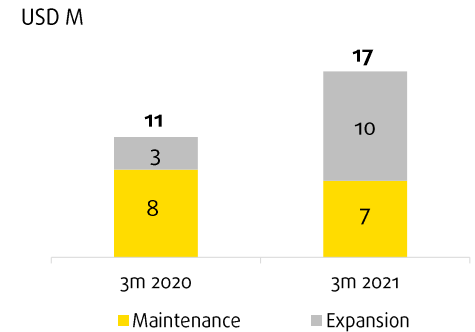


- Capex<sup>1</sup> in Q1 2021 amounted to USD 17M (surged by 55% y-o-y)
- Maintenance Capex slightly declined by 1M y-o-y after scaling it down during the pandemic
- Expansion Capex ramped up in more than 3 times y-o-y post the peak of the COVID-19 pandemic mainly amid the launch of the new pipe heat treatment project at Niko Tube (ca. USD 7M incurred within the 3 months 2021)
- Other noticeable spendings were related to NTRP: inhouse wheel-set assembling project (USD 1.6M) and purchase of caliper and hydraulic press line for pipes (USD 1.2M)

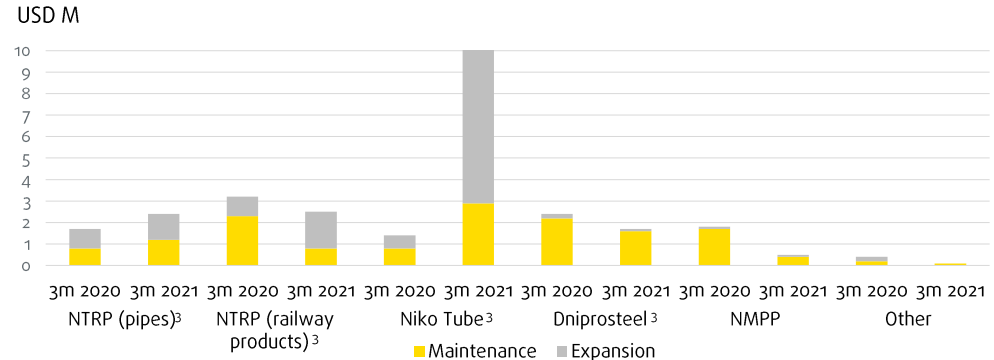
## Capex<sup>2</sup> by segment



## Capex<sup>2</sup> by type



## Capex by production asset



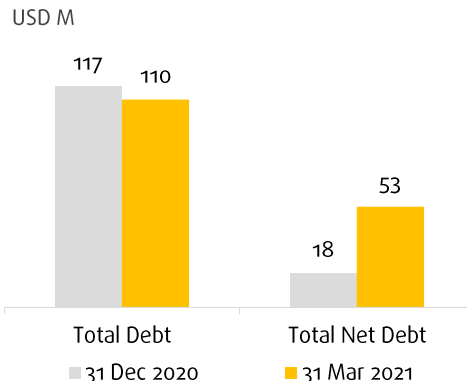
1. Capex figure represents the line Purchases of property, plant, and equipment and intangible assets as a part of the net cash flow from investing activities  
 2. Please also note that some amounts and/or totals may deviate due to rounding-off  
 3. Guarantors under the new Notes 2026

# Debt profile

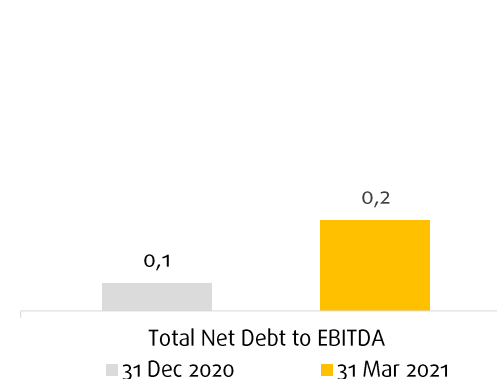


- As of March 31, 2021, **Consolidated Total Debt<sup>1</sup>** amounted to **USD 110M** and mainly comprised of:
  - Bank Facilities** (EUR-denominated) in amount **USD 43M**;
  - Carrying value of the **Performance Sharing Fees and Securities** amounted to **USD 67M**
- Cash & Cash Equivalents<sup>1</sup>** amounted to **USD 57M**, of which  $\frac{3}{4}$  were held in hard currencies (USD and EUR)
- Total Net Debt<sup>1</sup>** stood at a very low level of **USD 53M**
- As of March 31, 2021, **Consolidated Net Leverage Ratio<sup>1</sup>** (Total Net Debt to EBITDA) was equal to **0.2x**
- On May 13, 2021, the Company successfully placed its new **USD 300m Eurobond due 2026** ("Notes 2026")

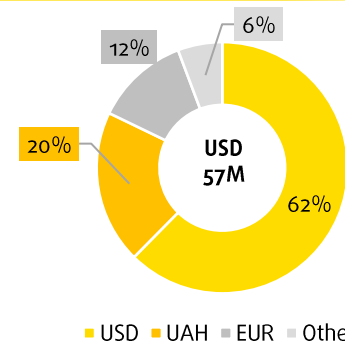
## Debt Quantum<sup>1</sup>



## Consolidated Net Leverage ratio<sup>1</sup>



## Cash & Cash Equivalents<sup>1</sup> currency breakdown



|                       | Rating   | Outlook       |
|-----------------------|----------|---------------|
| <b>FitchRatings</b>   | <b>B</b> | <b>Stable</b> |
| <b>S&amp;P Global</b> | <b>B</b> | <b>Stable</b> |

1. Total Debt, Cash & Cash Equivalents, Total Net Debt, Consolidated Net Leverage Ratio are calculated subject to the Terms and Conditions (Trust Deed) of the new Notes 2026 .



# Investor Relations Contacts



## Andrii Okolnych, Head of Investor Relations



**+380 44 233 68 21**



**IR@m.interpipe.biz**



**www.interpipe.biz**