

PRESS RELEASE

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Interpipe releases IFRS consolidated financial results for 9m2019

Interpipe, a global producer of steel pipes and railway wheels products, based in Ukraine, has released its unaudited IFRS consolidated financial statements for the period 1 January to 30 September 2019.

9 months 2019 Financial Highlights

- Interpipe's revenue grew by 5% y-o-y to USD 863 million;
- EBITDA surged by 45% y-o-y to USD 200 million due to rising demand in railway products in the CIS and European markets;
- CAPEX rose 8% y-o-y to USD 42 million;
- Cash amounted to USD 219 million, an increase by 67% y-t-d.

In 9m2019, Interpipe's revenue increased by 5% y-o-y to USD 863 million through the growth of railway product sales. Railway product revenue surged by 36% y-o-y to USD 297 million, driven by strong demand in the CIS market. Revenue from pipes decreased by 7% y-o-y to USD 535 million due to the decline of Oil Country Tubular Goods (OCTG) sales volumes by 27% y-o-y.

EBITDA amounted to USD 200 million, up 45% y-o-y. It was primarily driven by a strong performance in the railway product segment. The contribution of this segment to the overall EBITDA was 61%. Its standalone EBITDA amounted to USD 123 million (an increase of over 4.5 times y-o-y). Interpipe continues to enjoy strong demand in its railway product segment across the CIS market mainly due to the suspension of the antidumping duty of 34.22% by the Customs Union in August.

At the same time, the pipes segment's EBITDA increased 2% y-o-y up to USD 48 million due to an overall slowdown in drilling activity in Ukraine and a weakened demand in other regions like the U.S. market which negatively impacted both volumes and margins. The termination

of the suspension agreement in the OCTG pipe supply by the U.S. government in July 2019 was detrimental to profit margins.

In 9m2019, Interpipe's capital expenditure reached USD 42 million, rising by 8% y-o-y. Expansion Capex for the period increased by 19% y-o-y up to USD 19 million whereas Maintenance Capex was relatively flat and amounted to USD 22 million. The main focus was on an enhancement of capacity and quality in finishing, threading and heat treatment of pipes at Interpipe NTRP and Interpipe Niko Tube as well as investments in facilities for new wheel types and axles.

As of 30 September 2019, cash amounted to USD 219 million (+67% y-t-d) primarily driven by strong operating cash flow.

Fadi Hraibi, CEO at Interpipe commented on the results:

“Over the past nine months Interpipe has increased its revenues and EBITDA despite an overall slowdown in the pipe business. We have finalized the company's debt restructuring and have continued to invest in state-of-the-art facilities both for pipe and wheel production. The company has stayed focused on geographical diversification and development of premium products for the oil & gas and railway industries.

Interpipe has a solid cash cushion of 219 million US dollars as of 30 September 2019. This gives us the economic and business confidence to overcome market volatility in the future, stay focused on strategic investments and remain competitive in the long run.”

About the company:

Interpipe is a global producer of steel pipes and railway wheels products, based in Ukraine. The company's products are shipped to more than 80 countries all around the world via a network of sales offices located in the key markets of Ukraine, Europe, North America and the Middle East. In 2018 Interpipe supplied 876 thousand tons of finished goods, including 189 thousand tons of railway products.

9 months 2019 Operational and Financial Results

#	Item	9m 2019	9m 2018	Change	
		ths. tons	ths. tons	Δ	%, y-o-y
Production					
1.	Steel	702	738	-36	-5%
2.	Pipes, o/w:	477	520	-43	-8%
2.1.	<u>Seamless, o/w:</u>	<u>452</u>	<u>502</u>	<u>-50</u>	<u>10%</u>
2.1.1.	OCTG	149	185	-36	-20%
2.1.2.	Linepipe	213	228	-15	-6%
2.1.3.	Mechanical	90	89	1	1%
2.2.	Welded	25	18	6	36%
3.	Railway products, o/w:	153	143	9	6%
3.1.	Wheels	141	134	6	5%
3.2.	Wheelsets	6	2	4	161%
3.3.	Axles	5	5	1	12%
3.4.	Tyres	1	2	-1	-53%
Sales					
1.	Steel	18	14	4	26%
2.	Pipes, o/w:	473	515	-42	-8%
2.1.	<u>Seamless, o/w:</u>	<u>382</u>	<u>431</u>	<u>-49</u>	<u>-11%</u>
2.1.1.	OCTG	139	191	-52	-27%
2.1.2.	Linepipe	221	222	-1	0%
2.1.3.	Mechanical	22	18	4	22%
2.2.	Welded	91	83	8	9%
3.	Railway products, o/w:	152	147	5	3%
3.1.	Wheels	136	134	3	2%
3.2.	Wheelsets	11	9	3	29%
3.3.	Axles	3	2	1	39%
3.4.	Tyres	1	2	-1	-52%
TOTAL		643	675	-33	-5%

#	Item ¹	9m 2019	9m 2018	Change	
		mln USD	mln USD	Δ	%, y-o-y
1.	Revenue, o/w:	863	823	39	5%
1.1.	Steel	20	12	8	63%
1.2.	Pipes	535	578	-43	-7%
1.3.	Railway products	297	218	79	36%
1.4.	Other	11	15	-4	-29%
2.	EBITDA², o/w:	200	138	62	45%
2.1.	Steel	29	64	-35	-54%
2.2.	Pipes	48	47	1	2%
2.3.	Railway products	123	28	95	345%
2.4.	Other	1	0	1	577%
3.	Capex³	42	39	3	8%
4.	Free cash flow⁴	86	29	57	197%

1. Financial figures are presented based on the unaudited consolidated financial statements for the 9m 2019 according to the IFRS
2. 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 foreign exchange cash flow hedges effect, plus extraordinary losses / (gains), and plus operating foreign exchange gain/(loss)
3. Capex figure represents line Purchases of property, plant and equipment and intangible assets as part of net cash flow from investing activities
4. Free cash flow is calculated as the net cash flow from operating activities less the net cash flow from investing activities