INTERPIPE

PRESS RELEASE

December 16, 2020

Interpipe announces Q3 and 9 months 2020 financial results

Interpipe (referred to as “Interpipe” or the “Company”), a global producer of steel pipes and railway products based in Ukraine, released (via Interpipe Holdings Plc) its unaudited IFRS consolidated financial statements for the period from 1 January to 30 September 2020.

Q3 2020 Financial Highlights:

- Revenue decreased by 12% q-o-q to USD 192 million;
- EBITDA grew by 7% q-o-q to USD 67 million;
- CAPEX increased by 12% q-o-q to USD 9 million.

9 months 2020 Financial Highlights:

- Revenue decreased by 23% y-o-y to USD 660 million;
- EBITDA grew by 8% y-o-y to USD 216 million;
- CAPEX was scaled down by 34% y-o-y to USD 27 million;
- Net Debt achieved a de-minimis level of USD 12 million while Net Leverage ratio (Net Debt to EBITDA) proceeded improving almost to ‘zero’ (0.05x).

In Q3 2020 Interpipe operated in a quite challenging environment across all markets. The COVID-19 pandemic as well as oil & gas prices downturn led to the global decline in demand for pipes, particularly, OCTG products. Moreover, lockdowns and reduction of freight turnover hit global railway wheel market.

In the first 9 months 2020, Interpipe’s overall revenue declined by 23% y-o-y to USD 660 million primarily due to a decline in pipe sales volumes and prices. Revenue from pipes shrank by 35% y-o-y to USD 349 million whereas the railway product revenue decreased by 6% y-o-y to USD 216 million.

Nevertheless, Interpipe managed to achieve a sound 9 months 2020 EBITDA which amounted to USD 216 million, up by 8% y-o-y. On the back of the COVID-19 pandemic and reinstatement of the anti-dumping duty in the CU the railway product segment was the main contributor to the EBITDA growth: its pass-through EBITDA went up by 24% y-o-y to USD 161 million and comprised 75% of the total EBITDA for the 9 months 2020.

At the same time, the pipe segment EBITDA for the first 9 months 2020 drastically dropped by 79% y-o-y to USD 10 million despite stable sales of linepipes and some recovery of OCTG in Q3 2020.

As of 30 September 2020, Gross Debt went down substantially to USD 122 million following the partial redemption of the Notes in amount of USD 97 million in August 2020. In addition, Net Debt achieved an unprecedently low level of USD 12 million bringing down Consolidated Net Leverage ratio (Net Debt to EBITDA) almost to 'zero' (0.05x).

Fadi Hraibi, CEO at Interpipe commented on the results:

Despite extremely harsh business environment in Q3 and first 9 months 2020 Interpipe kept showing a solid financial performance. The Company retrieved its full financial stability and flexibility having achieved effectively a zero net leverage. Our progress and substantially improved credit profile have been also appreciated and confirmed by international credit rating agencies - Fitch Ratings and S&P Global - assigning to Interpipe 'B' rating with stable outlook.

On the back of generally adverse market environment, we have been persistently strengthening our positions in premium product markets. Interpipe made several debuts, like: first shipments of premium UPJ-F connections to Turkey and linepipes to the UAE's ADNOC. New finishing wheel lines enabled us to kick off cooperation with the national German railway operator – Deutsche Bahn – in supply of high-speed passenger railway wheels.

At the same time, we expect an additional pressure on the Company's cost base in Q4 given currently appreciating prices of key production inputs (scrap, natural gas and electricity) as their consumption has recovered and has been incrementally growing after H1 2020 lockdowns.

Nevertheless, we hope that the business has passed the peak of uncertainty related to the pandemic. Interpipe is continuing implementation the Expansion Capex program prior delayed due to the coronavirus outbreak and focusing on further business development and strategy implementation. Though we have already complied with the European Green Deal requirements having invested USD 1 billion dollars and put into operation the new EAF steel mill – Interpipe Steel – in 2012, impact on environment will remain the key criteria for all investment projects of the Company going forward.

INTERPIPE HOLDINGS PLC
Mykinon, 8, 1065, Nicosia, Cyprus
A Public Company Limited by Shares registered in Cyprus № 396228

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 2019 Interpipe supplied 822 thousand tons of finished goods, including 203 thousand tons of railway products.

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Q3 and 9 months 2020 Operational and Financial Results

#	Item	9m 2020	9m 2019	Change		Q3 2020	Q2 2020	Change	
		ths. tons	ths. tons	Δ	%, y-o-y	ths. tons	ths. tons	Δ	%, q-o-q
				Production					
1.	**Steel**	**578**	**702**	**-124**	**-18%**	**185**	**176**	**9**	**5%**
2.	**Pipes, o/w:**	**351**	**477**	**-126**	**-26%**	**117**	**121**	**-4**	**-3%**
2.1.	Seamless, o/w:	290	387	-97	-25%	92	101	-9	-9%
2.1.1.	OCTG	56	149	-93	-62%	14	14	0	0%
2.1.2.	Linepipe	220	213	7	3%	74	81	-7	-9%
2.1.3.	Mechanical	14	25	-11	-44%	4	6	-2	-33%
2.2.	Welded	61	90	-29	-32%	25	20	5	25%
3.	**Railway products, o/w:**	**146**	**153**	**-7**	**-4%**	**44**	**47**	**-3**	**-7%**
3.1.	Wheels	128	137	-9	-7%	37	41	-4	-10%
3.2.	Wheelsets	13	12	2	14%	5	5	1	13%
3.3.	Axles	3,1	2,7	0,4	15%	1,1	1,0	0,1	10%
3.4.	Tyres	1,8	1,1	0,7	64%	0,8	0,6	0,2	33%
				Sales					
1.	**Steel**	**26**	**18**	**8**	**44%**	**6**	**11**	**-5**	**-47%**
2.	**Pipes, o/w:**	**359**	**473**	**-114**	**-24%**	**123**	**124**	**-1**	**-1%**
2.1.	Seamless, o/w:	298	382	-84	-22%	99	102	-3	-3%
2.1.1.	OCTG	64	139	-75	-54%	20	14	6	43%
2.1.2.	Linepipe	221	221	0	0%	75	83	-8	-10%
2.1.3.	Mechanical	13	22	-9	-41%	4	5	-1	-20%
2.2.	Welded	61	91	-30	-33%	24	22	2	9%
3.	**Railway products, o/w:**	**148**	**152**	**-4**	**-3%**	**43**	**46**	**-3**	**-7%**
3.1.	Wheels	128	136	-8	-6%	37	40	-3	-8%
3.2.	Wheelsets	15	11	3	30%	4	5	-1	-13%
3.3.	Axles	2,9	3,2	-0,3	-11%	1,1	0,9	0,2	25%
3.4.	Tyres	1,8	1,1	0,7	63%	0,8	0,8	0,0	1%
	TOTAL	**533**	**643**	**-110**	**-17%**	**172**	**181**	**-9**	**-5%**

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#	Item [1]	9m 2020	9m 2019	Change		Q3 2020	Q2 2020	Change	
		USD M	USD M	Δ	%, y-o-y	USD M	USD M	Δ	%, q-o-q
1.	**Revenue, o/w:**	**660**	**863**	**-202**	**-23%**	**192**	**217**	**-25**	**-12%**
1.1.	Steel	22	20	2	10%	7	8	-1	-13%
1.2.	Pipes	349	535	-186	-35%	117	119	-2	-1%
1.3.	Railway products	280	297	-16	-6%	64	88	-24	-27%
1.4.	Other	9	11	-1	-14%	4	2	1	55%
2.	**EBITDA[2], o/w:**	**216**	**200**	**16**	**8%**	**67**	**63**	**4**	**7%**
2.1.	Steel	65	29	36	123%	26	19	7	35%
2.2.	Pipes	10	48	-37	-79%	12	3	10	393%
2.3.	Railway products	140	123	17	14%	29	41	-13	-31%
2.4.	Other	2	1	0,5	48%	1	0	0,7	364%
3.	**Capex[3]**	**27**	**42**	**-14**	**-34%**	**9**	**8**	**1**	**12%**
4.	**Free cash flow[4]**	**94**	**86**	**8**	**9%**	**43**	**55**	**-13**	**-23%**

#	Item [5]	30 Sep 2020	31 Dec 2019	Change		30 Jun 2020	Change	
		USD M	USD M	Δ	%, y-o-y	USD M	Δ	%, q-o-q
1.	**Gross Debt**	**122**	**338**	**-216**	**-64%**	**215**	**-93**	**-43%**
2.	**Net Debt**	**12**	**82**	**-69**	**-85%**	**28**	**-16**	**-56%**
3.	**Consolidated Leverage Ratio (Debt to EBITDA)**	**0,44**	**1,30**	**-0,86**	**-66%**	**0,76**	**-0,32**	**-42%**
4.	**Consolidated Net Leverage Ratio (Net Debt to EBITDA)**	**0,05**	**0,30**	**-0,25**	**-83%**	**0,10**	**-0,05**	**-50%**

1. Financial figures are presented based on the unaudited consolidated financial statements for the first nine months 2020 prepared 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
5. The figures are calculated subject to the terms of the credit documentation under the Notes (Trust Deed)

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