



Q2 and the first six months 2021

Operational and Financial Overview

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Key highlights of Q2 2021



-  Q2 2021 continued the pace of the post-COVID-19 recovery across all key markets and regions
-  Oil & gas and construction sectors' consumption stimulated further demand on OCTG and linepipe. The US, MENA, CIS and Ukraine were key regions where Capex spending and drilling programs had been growing
-  In Q2 2021, Interpipe continued facing downward pressure on its margins as the cost base appreciated following a rally of prices for steel commodities and key production inputs (scrap, natural gas, etc) as sales prices lagging the appreciation of production inputs. This resulted in a deterioration of standalone performance of the railway product and pipe segments in Q2 2021
-  In addition, the increase in prices for raw materials and expansion of the Company's sales in the pipe segment resulted in higher outlays in Working Capital in Q2 2021
-  At the same time, amid Interpipe's vertical integration in scrap collection and its own steel billet production, the steel making segment supported the Company's overall performance and became the key "bread maker" for both Q2 and H1 2021
-  In May-June 2021, Interpipe successfully redirected sales volumes of the railway products lost following the embargo on the import of Ukrainian wheels to the Russian Federation to other destinations, including the U.S., CIS, Europe and India. However, appreciating prices for steel billets caused margins in these markets to remain subdued
-  Following the successful settlement of the USD 300 million Eurobond due in 2026, Interpipe now has an ample liquidity buffer to fund any extra Working Capital needs and secure its Capex program for 2021-2022

Q3 2021 business environment update and outlook



-  Global markets cooled off with the commodity price rally suspended at the end of June 2021
-  Since the beginning of Q3 2021, we have observed a reverse (downward) price dynamic. Similarly, domestic prices have lagged and are only now catching up with the earlier growth
-  Despite the export duty of EUR 58 per ton for scrap metal in place in Ukraine, the global commodity market momentum spurred a growth in exports from Ukraine and, thus, a shortage of scrap in the domestic market in July
-  By August, domestic scrap prices rose and export parity regained its equilibrium, dissolving the scrap shortage and then gradually decreasing domestic scrap prices
-  Aimed at expanding the share of high-value-added products in its product mix, Interpipe continues ramping up sales of its R&D premium and semi-premium pipe connections (UPJ and INTREPID product portfolio) across all key regions
-  The Company's stabilized monthly railway products sales at 15,000 tons
-  Soft concerns for H2 2021 pipe segment performance arose from new trade barriers introduced by the U.S. Department of Commerce in August 2021, including:
 - Final results from the anti-dumping investigation of producers of carbon and alloy steel standard, line and pressure pipes from South Korea, Czech Republic, Russian Federation and Ukraine caused Interpipe's linepipe to fall under the reduced 23.75% ant-dumping duty starting from August 2021 (instead of 41.23% rate announced in February 2021)
 - In the framework of the anti-dumping proceedings under the first administrative review against Ukrainian OCTG, a preliminary dumping rate was announced at 30.19% for the H2 2019-H1 2020 period. A final decision is expected by end of 2021. Interpipe contends that this dumping rate is unfair and intends to dispute it

Pipe market



- The pipe market changed its demand direction in H1 2021 as regional markets were driven by economic recovery following the distribution of COVID-19 vaccines and the lifting of restrictions

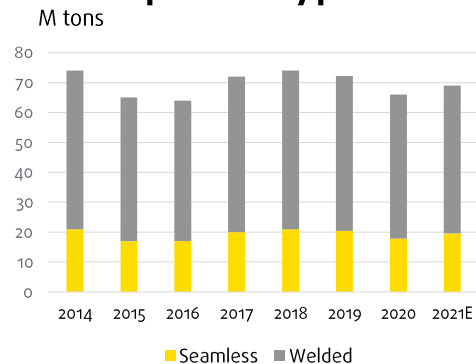
- USA:** OCTG demand is recovering this year, underpinned by a stable growth in drilling – the U.S. rig count grew by 125 rigs over H1 2021. However, prices for seamless, and especially welded pipes, skyrocketed during H1 2021, driven by the cost of HRC. OCTG and linepipe demand in the U.S. surged by 87% q-o-q in Q2 2021

- MENA:** Oil & gas and construction projects grew by 41.5% q-o-q in Q2 2021, for projects with delivery in 2022. As a result, a robust demand for linepipe and OCTG is forecast. Drilling activity was still lower than pre-pandemic figures (-165 rigs) but remained mainly stable q-o-q. On the back of the recovery in pipe demand, prices for OCTG and linepipe grew, fueled by the cost appreciation of raw materials

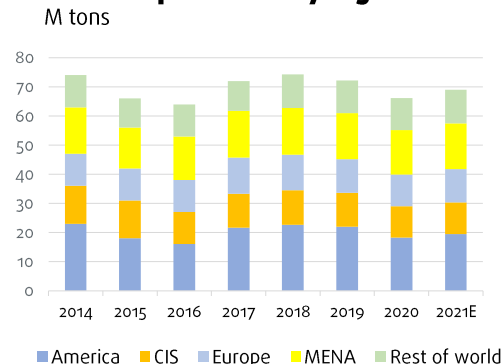
- Europe:** The economy expanded by 1.9% q-o-q and 13.2% y-o-y in Q2 2021. Finally rebounding from the recession, the construction sector benefitted from the overall economic recovery. Imports of steel finished products surged considerably in early 2021 and particularly over Q2, reflecting the improvement in demand

- Ukraine:** The country demonstrated a significant improvement in consumption of welded and seamless pipes for construction: 1) construction industry gained 0.2% y-o-y in H1 2021, due to a robust residential construction growth (+16% y-o-y) that contributed to higher linepipe demand for future projects (+19% y-o-y); 2) UGV monthly drilling more than doubled q-o-q in Q2 2021, and OCTG demand grew by 33% q-o-q

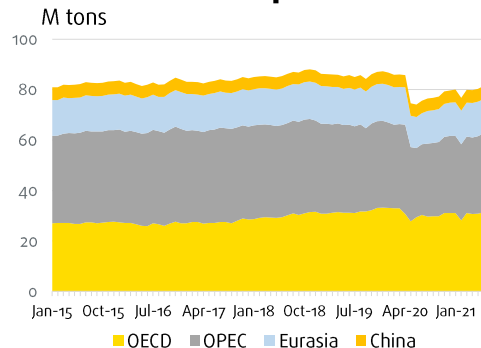
Pipe market by products¹



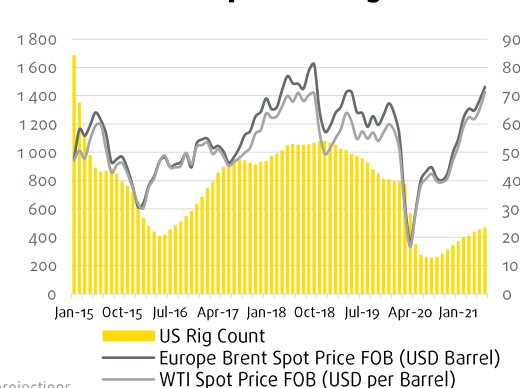
Pipe market by regions¹



Crude oil production



Crude oil price and rig count



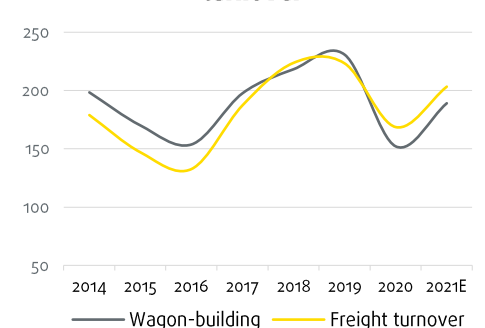
1. Excluding China. 2021 forecasts are as per the management's projections

Railway product market

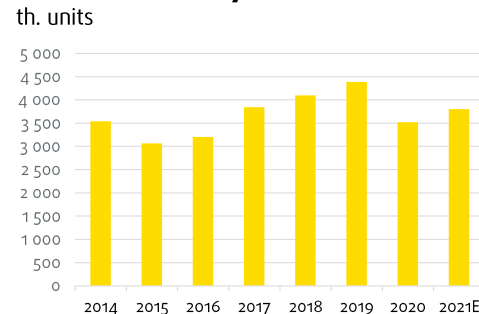


- Rail transport was most affected by the restrictive measures introduced by governments to limit the spread of coronavirus infections
- Like pipe markets, the global railway product market showed moderate recovery after the COVID-19 crisis and its subsequent lockdowns. Growth is expected to accelerate in H2 2021 thanks to the deployment of government support programs
- Due to lockdowns, Europe's wagon construction industry has been limited in business activity and showed an 18% y-o-y decrease in 2020. Rail transport performance figures (freight and passenger turnover), reported by the largest EU members for Q1 2021, were the highest since January 2020 and expected to improve further in H2 2021
- The Ukrainian wagon construction industry hit bottom in Q1 2021, when monthly output fell to 66 units in February. Q2 2021 results were stronger but still lower by 200 units per month on average. As a result, production of freight wagons for the first six months 2021 dropped by 41.5% y-o-y
- State-owned company Ukrzaliznytsya (UA Rail) delayed all investments in new rolling stock, stalling demand and providing prerequisites for further rush in the domestic market

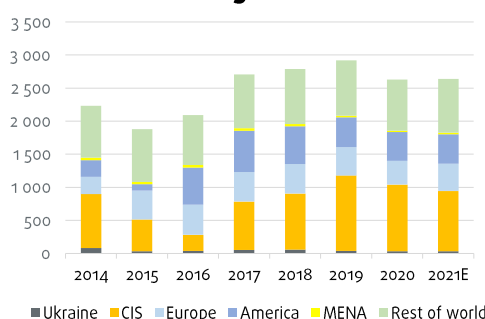
Global markets' wagon building and freight turnover



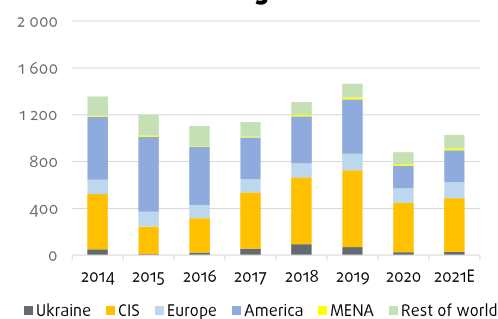
Railway wheel market¹



Railway wheels for after-market segment¹



Railway wheels for wagon-building segment¹

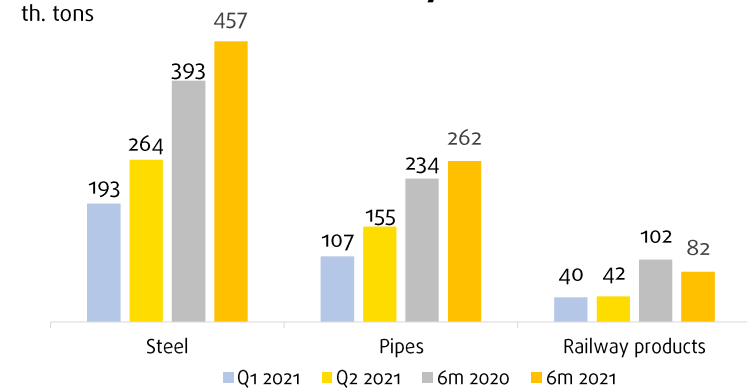


1. Excluding China. 2021 forecasts are as per the management's projections

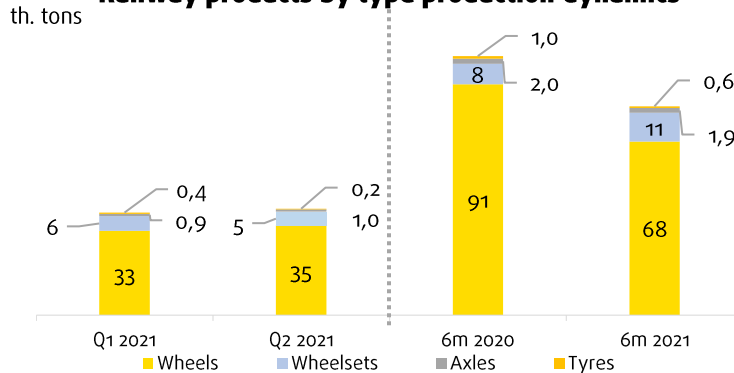
Operational results

- Q2 2021 production figures justified the recovery trend across key markets. Products started in Q1 2021
- Growth in OCTG production caused Q2 2021 pipe production to rise by 45% q-o-q and 12% y-o-y higher for the first six months of 2021
- The recovering global oil & gas sector saw OCTG production surge by 83% q-o-q and 74% y-o-y for the first six months of 2021
- At the same time, welded pipe production slowed by 12% q-o-q and 25% y-o-y due to HRC skyrocketing prices, which led to a softened demand for this pipe product
- Railway product manufacturing rebounded by 4% q-o-q after the embargo imposed by the Russian Federation in February 2021 but stood at 19% y-o-y lower for the first six months of 2021
- Steel production in Q2 2021 grew by 37% q-o-q following the growth in overall seamless pipe production and external sales of round billets

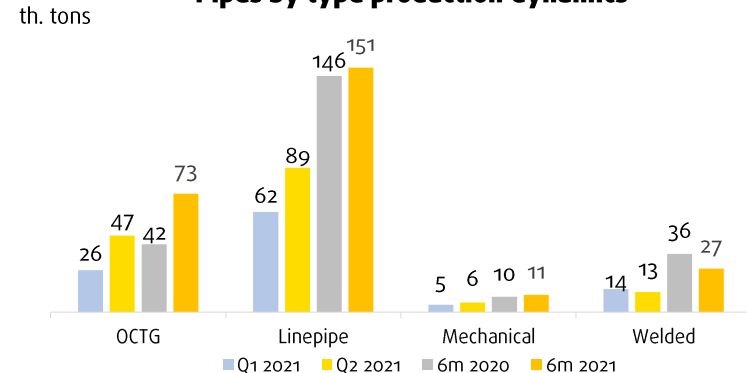
Production dynamics



Railway products by type production dynamics



Pipes by type production dynamics



ESG update

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- In Q2 Interpipe spent **UAH 23M (ca. USD 850K)** for ecological and energy efficiency projects to ensure the highest standards of environmental protection
- In June 2021, the Company engaged a reputable international consulting company to elaborate a Decarbonization and Environmental Strategy
- The main target of this exercise is to address ongoing environmental challenges and evolving regulatory framework, including the forthcoming implementation of the Carbon Border Adjustment Mechanism under the EU Green Deal
- Main tasks are to conduct a comprehensive assessment of the current status, outline any deficiencies and their remedies, set goals and a roadmap for their achievement
- The project is expected to be finalized by the end of September 2021



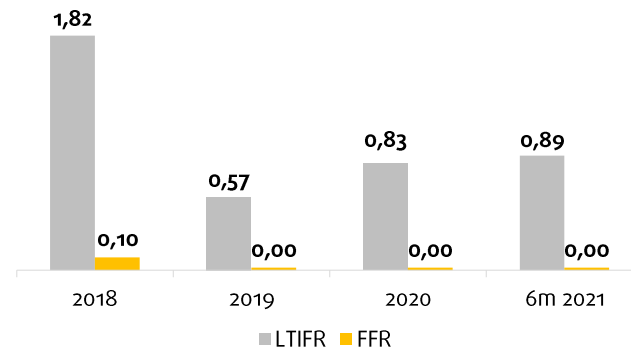
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- Within the first six months 2021, Interpipe contributed **UAH 1,49B (over USD 55M)** in taxes (incl. CIT) and duties to state budgets of all levels and extra-budgetary funds
- In Q2 2021, **4 injury cases** occurred at Interpipe's production facilities (7 cases in total for the first six months 2021)
- In Q2 2021, Interpipe spent **UAH 3M (ca. USD 110K)** on health & safety and labor conditions (UAH 7.4M in total for the first six months 2021)
- As of today, over **40%** of employees of Interpipe have received 2 doses of vaccines from COVID-19

G

- In Q2 2021, in compliance with the terms and conditions of **the USD 300MM Notes 2026** raised in May 2021 the Board of Directors approved the distribution of **dividends** from their proceeds in amount of **USD 150M** (USD 190M in total for the first six months 2021)
- The Board of Directors has adopted new Code of Ethics and Internal Alert Procedure, Equality, Diversity and Inclusion Charter, Responsible Purchasing Charter
- Interpipe intends to prepare and publish a debut Annual Report with a comprehensive ESG disclosure for the FY 2021

LTIFR¹ and FFR²



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

Pipe segment: Sales portfolio



For the first six months 2021 overall pipe and tube sales went up 9% y-o-y primarily amid:

- OCTG:** sales volumes surpassed pre-pandemic figures by 59% y-o-y being overarched by robust sales surge in Q2 2021 (+64% q-o-q)
- Linepipe:** sales volumes remained fairly stable (+3% y-o-y) after a hike in sales in Q2 2021 by 50% q-o-q on the back of the recovered demand from European and MENA off-takers
- Mechanical pipe:** likewise, sales volumes soared by 17% y-o-y as sales rebounded by 35% q-o-q in Q2 2021

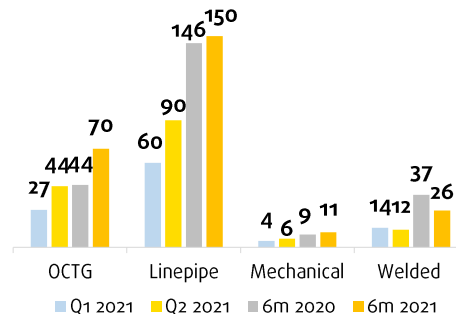
In Ukraine, expansion in both oil and gas and construction sectors in H1 2021 bolstered an aggregated growth in domestic by 7% y-o-y. The share of UAH-denominated proceeds in total pipe revenue for the first six months 2021 recovered to 30%

Sales to the European market slid by 5% y-o-y in H1 2021 mainly due to a 30% y-o-y slump in welded pipe sales. However, sales volumes rebound is expected in H2 2021

Sales to the MENA countries rose by 19% y-o-y in H1 2021 on the back of a 2x q-o-q sales hike in Q2 2021 and amid higher shipments to Turkey, Egypt and the UAE. In Q2 2021 the region's share gained 8 pp up to 29% in the total sales of the Company

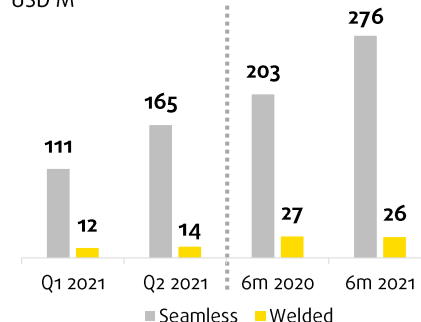
Pipe sales volumes by production type

th. tons

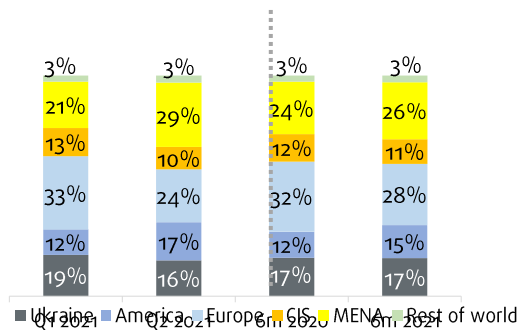


Pipe revenue by product type

USD M

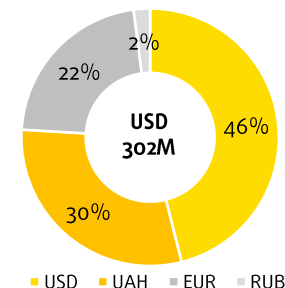


Pipe sales volumes split by region¹



1. Physical volumes split (in tons sold)

Currency breakdown the first six months 2021



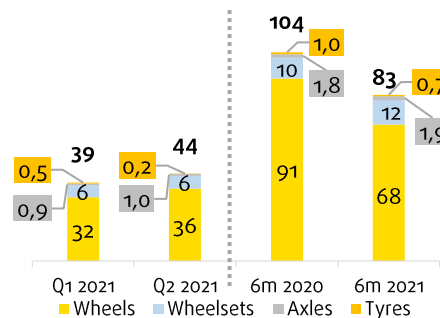
Railway product segment: Sales portfolio



- In Q2 2021, railway products sales grew by 11% q-o-q, partially recouping after H1 2021's sales declined 20% y-o-y brought on by the embargo on the import of Ukrainian railway products in the Russian Federation in February 2021
- As a result, sales to the CIS countries (incl. the Customs Union) continued to decline (down 15% q-o-q,) resulting in an 18% y-o-y overall decline for the first six months 2021
- CIS countries' shares fell by 12% in Q2 2021 but remained the largest (around 40%) in Q2 and H1 2021
- Q2 2021 domestic sales improved substantially compared to Q1 (up by 64% q-o-q) however, total sales for H1 2021 stood at 55% y-o-y lower due to soft wagon-building in Ukraine
- COVID-19 restrictions caused Q1 2021 sales volumes in Europe to decrease by 24% y-o-y for the first six months 2021. Later, in Q2, sales hiked by 19% q-o-q as freight and passenger turnover in Europe resumed
- Interpipe developed an enhanced wheel design for passenger transport, specifically for the Indian Railways, Indian's national railway system. In Q2 2021, shipments to Indian Railways reached a record volume and drove the Rest of the world region's to jump 10%
- On the back of softened demand for railway products in Ukraine, the share of FX proceeds in the total railway product revenue hiked to 88% for the first six months 2021

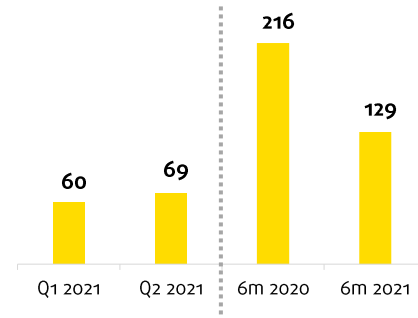
Railway product sales volumes

th. tons

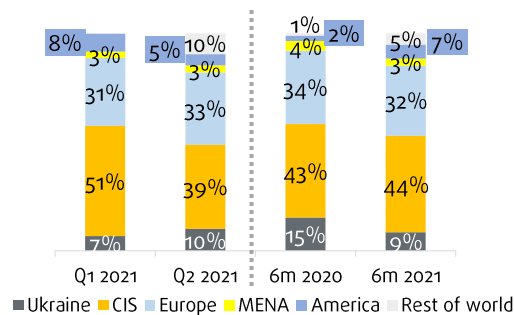


Railway product revenue

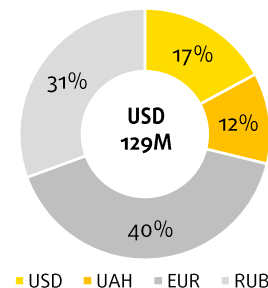
USD M



Railway product sales split by region¹

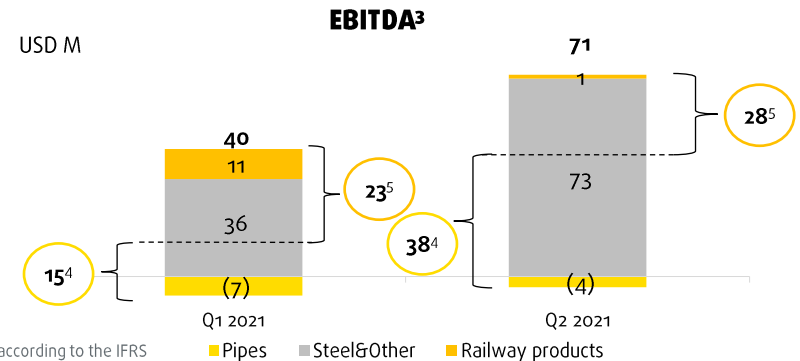
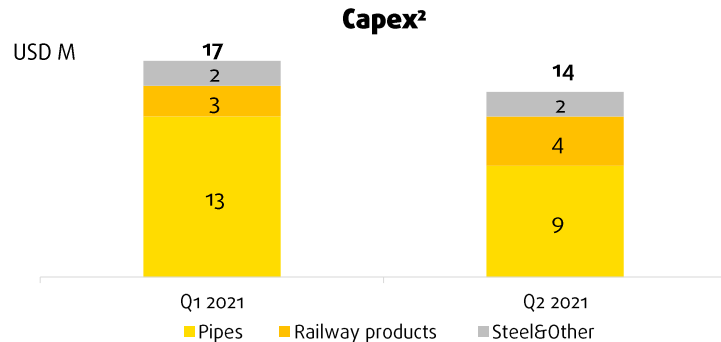
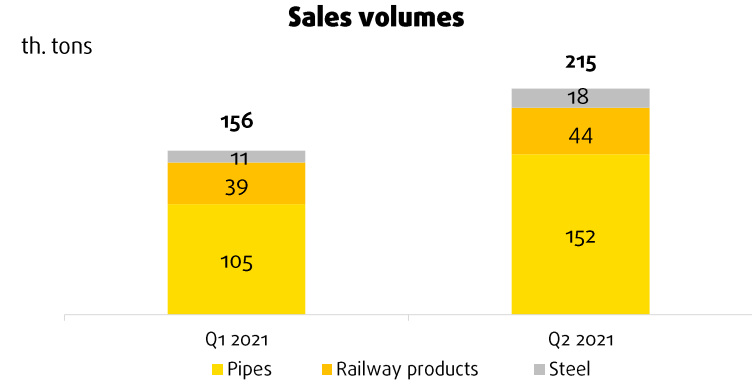
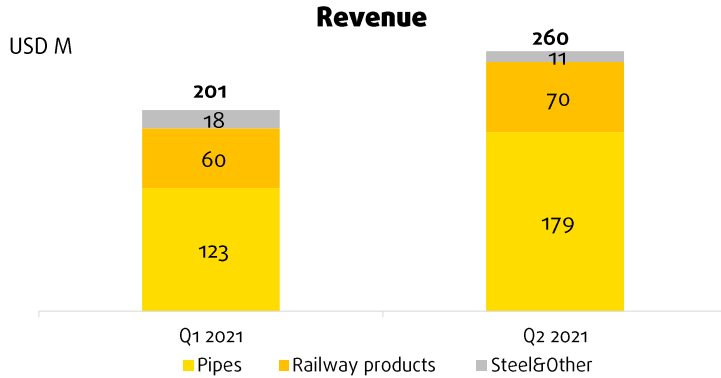


Currency breakdown for the first six months 2021



1. Physical volumes terms split (in tons sold)

Financial Highlights¹ of Q2 2021



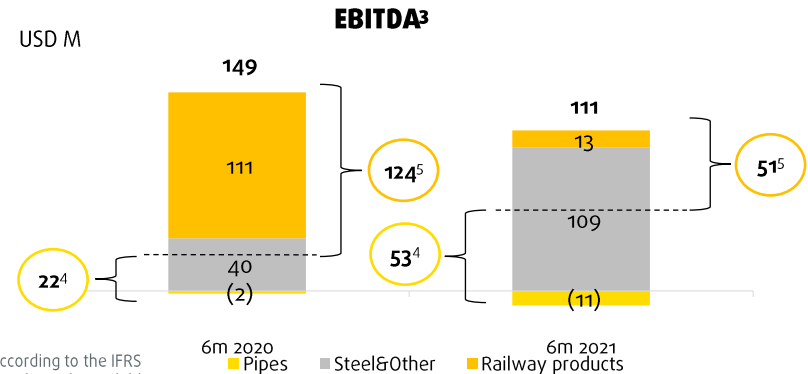
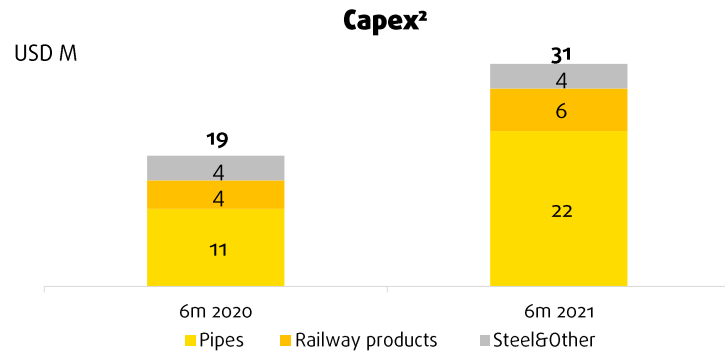
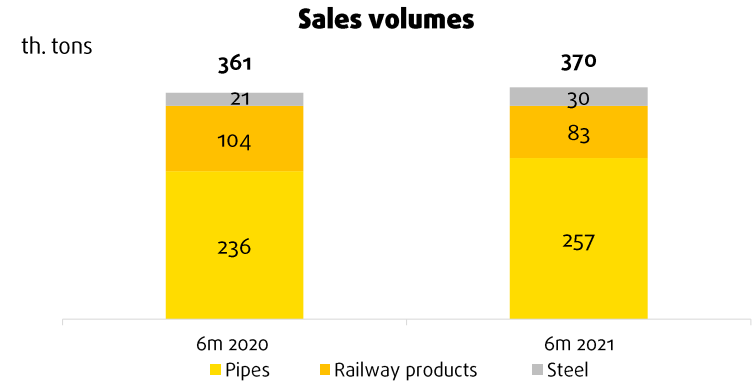
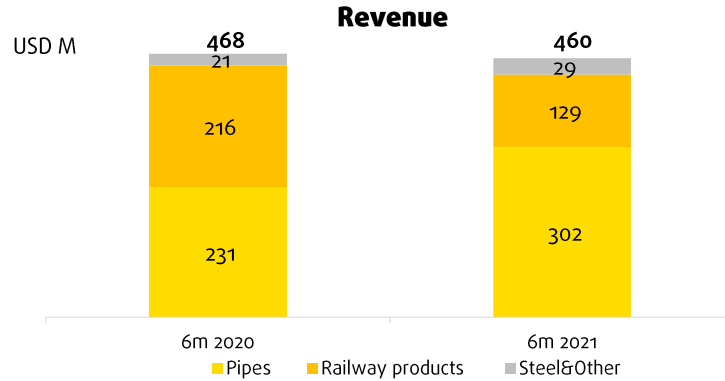
1. Financial figures are presented based on the unaudited consolidated financial statements for the first six months 2021 prepared according to the IFRS
 2. Capex figure represents the line Purchases of property, plant and equipment and intangible assets as part of the net cash flow from investing activities

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

Financial Highlights¹ of the first six months 2021



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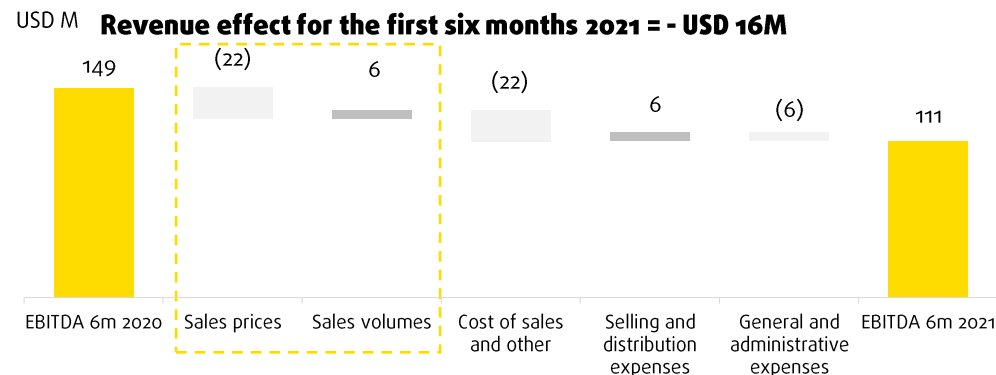
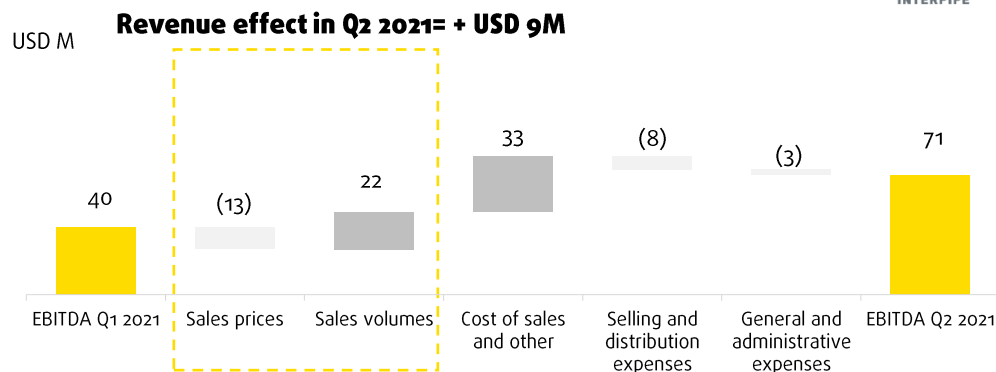
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EBITDA

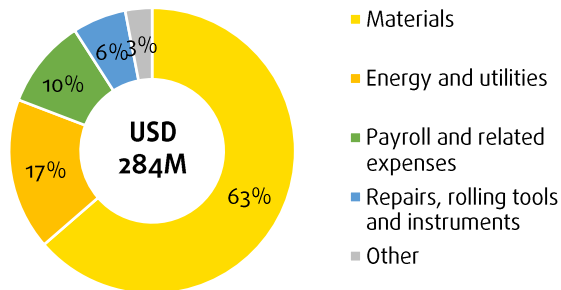
- Q2 2021 EBITDA¹ surged by 75% q-o-q and totaled USD 111M for the first six months 2021 which was down 25% y-o-y
- An increase in average sales prices in Q2 2021 failed to cover the drop in average prices for wheels following the redirection of sales away from the Russian Federation, however the growth of seamless pipe sales volumes and change in product mix offset the appreciation of the cost base and became a strong driver of a robust EBITDA performance on a q-o-q basis
- In Q2 2021, Interpipe suffered pressure on its margins from skyrocketing raw material prices. Natural gas price grew 19% q-o-q and scrap rose by 21% q-o-q (79% y-o-y and 66% y-o-y, respectively, for the first six months 2021)
- On the flip side, the sales volumes growth led to an increase of selling and distribution expenses in Q2 2021 by USD 8M
- Considering the ongoing market environment and amid the Company's vertical integration in scrap collection and its steel billet production, the steel making segment remains the main contributor to the overall EBITDA, which resulted in USD 107M (96% of total) for the first six months 2021 having hiked by 2.7x y-o-y
- In Q2 2021, the standalone steel making segment's EBITDA effectively doubled q-o-q to USD 72 M
- Suffering peaked market steel prices, the standalone Q2 2021 railway product EBITDA squeezed to marginally positive (USD 1 M), while the standalone pipe segment EBITDA remained negative throughout Q2 and the first six months 2021
- The H1 wheel segment EBITDA more than halved y-o-y; contrariwise, the H1 pipe segment EBITDA more than doubled y-o-y



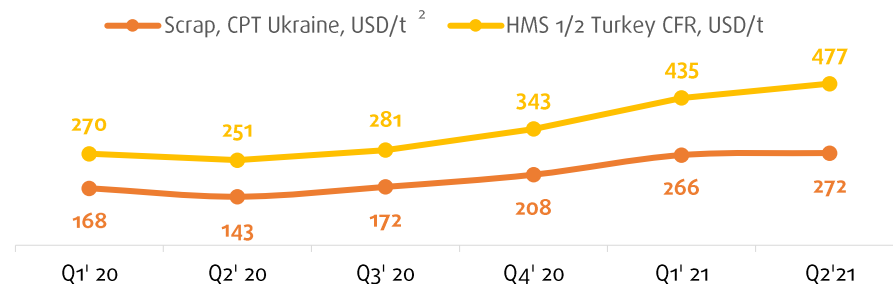
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Cost structure for the first six months 2021

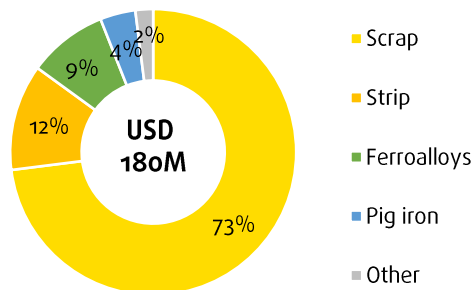
Cost of Sales breakdown¹



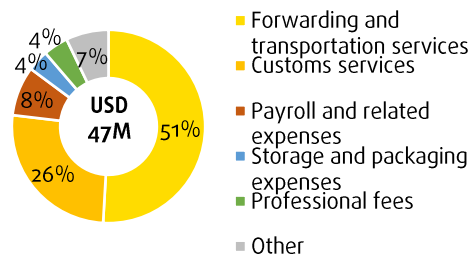
Evolution of local and imported scrap prices



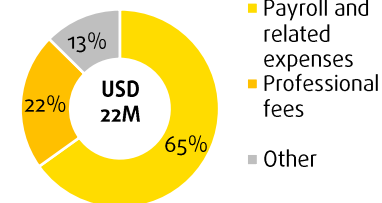
Materials breakdown



Selling & Distribution costs¹



General & Administrative costs¹

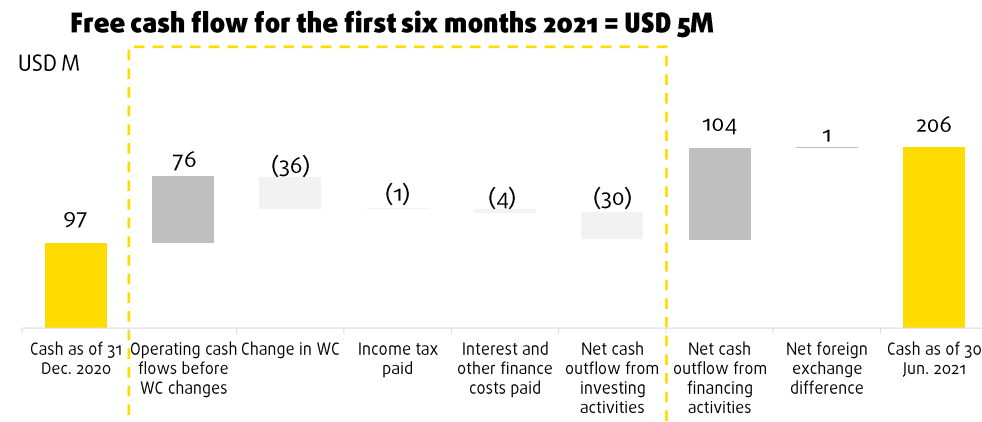
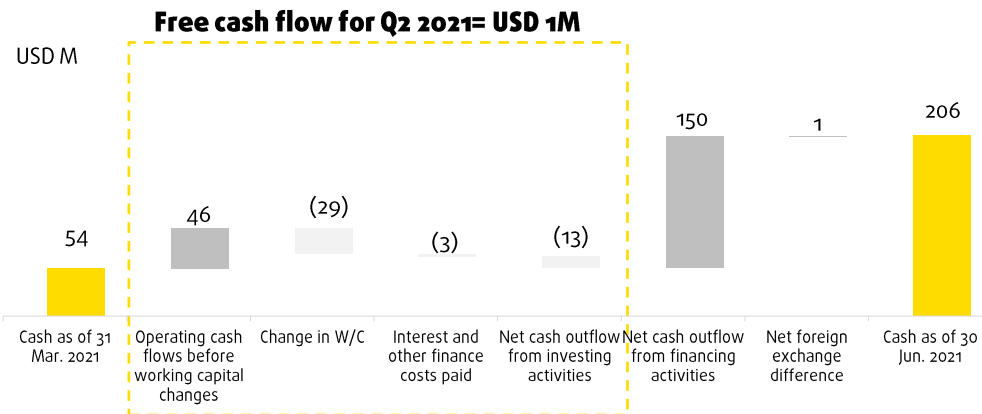


1. Net of Depreciation & Amortization item

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

Cash flow

- Conversion of Q2 2021 EBITDA into Operating Cash flow before Working Capital changes was at 64% (the delta was attributable to movement in provisions)
- However, Q2 2021 Operating Cash flow before WC changes in amount of USD 46M was sufficient cover both needs in additional Working Capital outlays (USD 29M) and Capex program (USD 13M) for the period, which resulted in positive Free cash flow¹ both in Q2 and for the first six months 2021, respectively
- Increase in Working Capital in Q2 2021 (USD 29M) was triggered a q-o-q growth of seamless pipe sales volumes and appreciation of raw materials and mainly attributable to:
 - Increase in trade accounts receivable (USD 27M);
 - Increase in inventories (USD 7M)
- Q2 2021 Net cash outflow from financing amounted to USD 150M being a difference of USD 300M proceeds of new Notes 2026 and USD 150M of dividends distributed from these proceeds



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

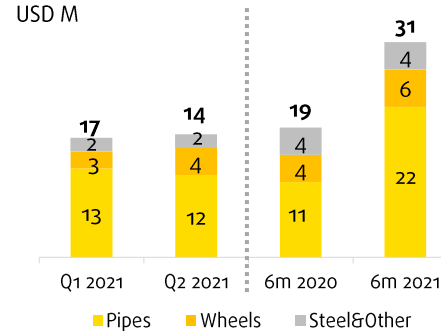
Capex



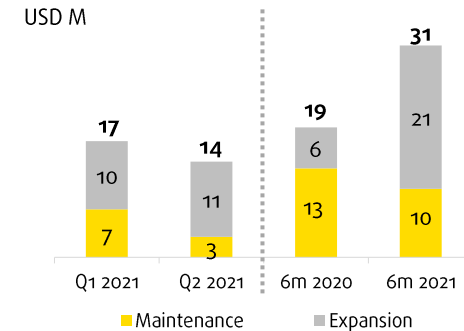
- Capex¹ in Q2 2021 amounted to USD 14M (down by 18% q-o-q) which resulted USD 31M in total for the first six months of 2021 (up by 63% y-o-y)
- Maintenance Capex for the first six months 2021 declined by 23% y-o-y amounting to USD 10M due to different schedules of capital maintenance
- Expansion Capex in Q2 2021 was almost flat q-o-q but more than tripped y-o-y amounting to USD 21M in H1 2021 (out of which total investments in new pipe heat treatment project at Niko Tube amounted to ca. USD 13M for the first six months 2021)
- Likewise in Q1 2021, other noticeable spendings in Q2 related to: inhouse railway wheel-set assembling project at NTRP (USD 1.0M) and purchase of calipering and hydraulic press line for pipes at Niko Tube (USD 3.6M)

1. Capex figure represents the line Purchases of property, plant, and equipment and intangible assets as part of the net cash flow from investing activities
 2. Please also note than some amounts and/or totals may deviate due to rounding-off
 3. Guarantors under the new Notes 2026
 4. In Q2 2021 all pipe production assets that belonged to NTRP were transferred (sold) to Niko Tube to consolidate all pipe production assets within a single legal entity

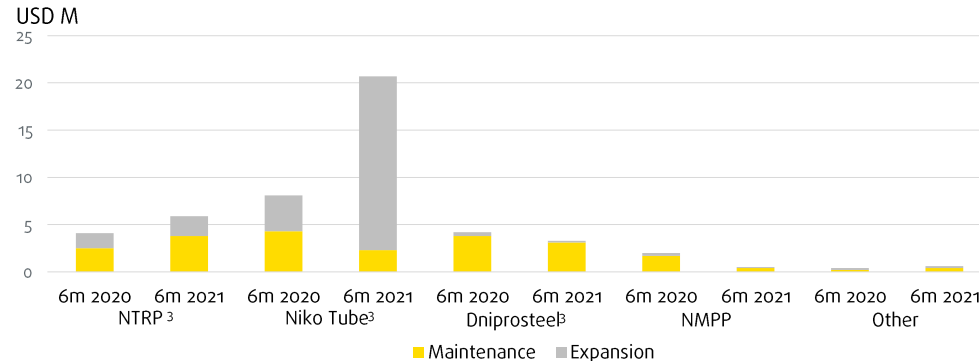
Capex² by segment



Capex² by type



Capex by production asset⁴



Debt profile

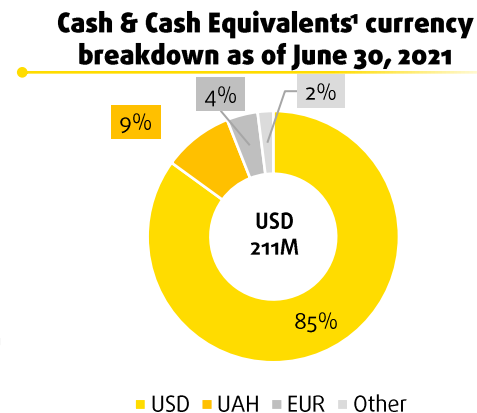
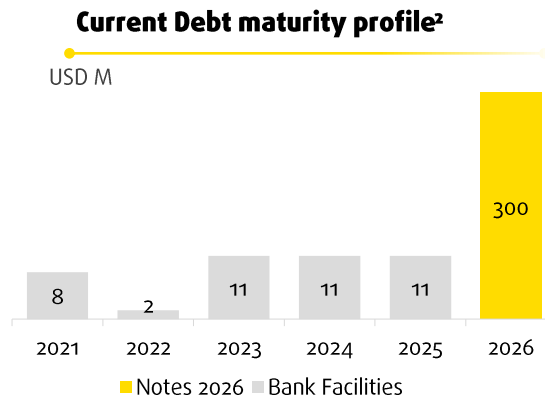
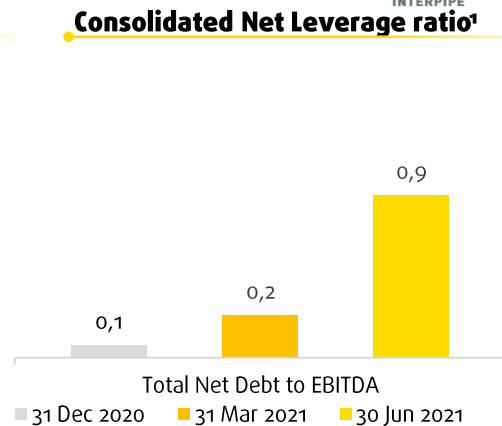
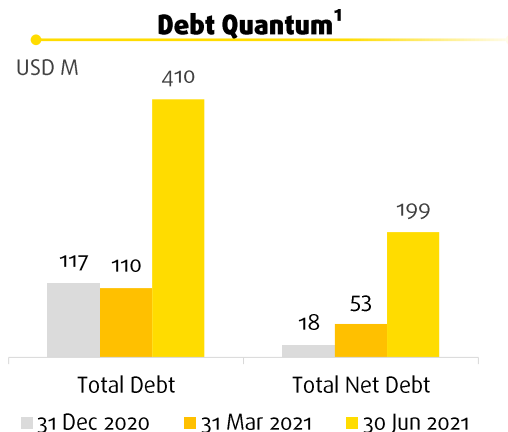


- On May 13, 2021, the Company successfully settled its new 8.375% **USD 300M Eurobond due 2026** ("Notes 2026")
- As of June 30, 2021, **Consolidated Total Debt¹** amounted to **USD 410M** and comprised of:
 - Notes 2026** recognized at amortized cost according to the IFRS in amount of **USD 298M**;
 - Bank Facilities** (EUR-denominated) in amount of **USD 44M** (including the portion attributable to the revolving credit line in amount of USD 8M);
 - Carrying value of the **Performance Sharing Fees and Securities** amounted to **USD 68M**
- Cash & Cash Equivalents¹** amounted to **USD 211M**, of which up to 90% were held in hard currencies (USD and EUR)
- Total Net Debt¹** was equal **USD 199M**
- As of June 30, 2021, **Consolidated Net Leverage Ratio¹** (Total Net Debt to EBITDA) stood at a robust level of **0.9x**

	Rating	Outlook
FitchRatings	B	Stable
S&P Global	B	Stable

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

2. Debt maturity profile is presented at nominal value of the debt instruments and net of carrying value of the Performance Sharing Fees and Securities



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