

Public Joint Stock Company

“Chelyabinsk Pipe Plant”



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—1,422



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GROUP



H1 2020 IFRS results and market overview

August 2020



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TABLE OF CONTENTS



CHELPIPE
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1. Key Figures	4
2. Market Overview	7
3. Financial	12
Appendix	18



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KEY FIGURES



1

H1 2020 KEY FIGURES & HIGHLIGHTS



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COMPANY OVERVIEW

Chelpipe is one of the largest pipe manufacturers globally with a diversified client base and a strong positions in Russia

- #1 Seamless industrial pipes producer (47% market share)⁽¹⁾
- #2 Seamless O&G pipes producer (17% market share)⁽¹⁾
- #2 LDP producer⁽²⁾
- #5 Steel pipe producer globally⁽³⁾
- #2 Trunk Pipeline systems producer⁽³⁾

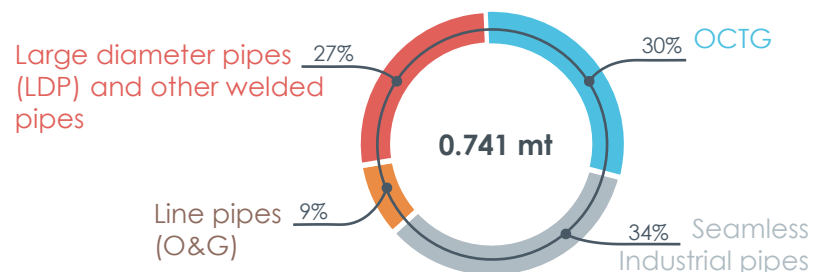
- The Company's principal shareholders are Andrey Komarov⁽⁴⁾ (77.3%) and Pavel Fedorov (10.7%)
- Credit ratings: **Fitch** – BB- (stable), **Moody's** – Ba3 (stable)

KEY EVENTS IN H1 2020

- Chelpipe Group shipped 60 kt of LDP to Gazprom for Kharasaveysky field in Yamal
- In H1 2020 Chelpipe Group supplied ~600 t of ETERNO INGENIUM products to Rosatom for Akkuyu NPP construction project in Turkey
- The Company implemented comprehensive digital solution for billets production at Iron Ozon 32
- Chelpipe Group completed modernization of OCTG production aimed to increase volumes and improve quality of HVA products

CHELPIPE'S OPERATING DATA

Pipes shipments breakdown in H1 2020



KEY FINANCIALS

RUB bn	H1 2019	H1 2020
Revenue	85.8	71.8
Adjusted EBITDA ⁽⁵⁾	15.8	15.5
Margin	18.4%	21.6%
Net Debt ⁽⁶⁾	73.7	73.9
Net Debt / Adjusted EBITDA LTM	2.7x	2.3x
Capex	2.6	3.1

Source: Company data, IFRS Financial Statements.

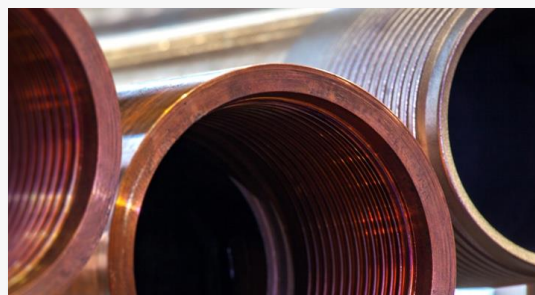
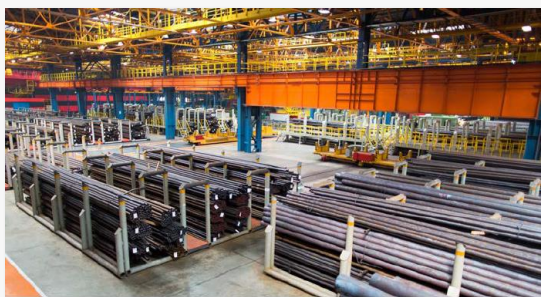
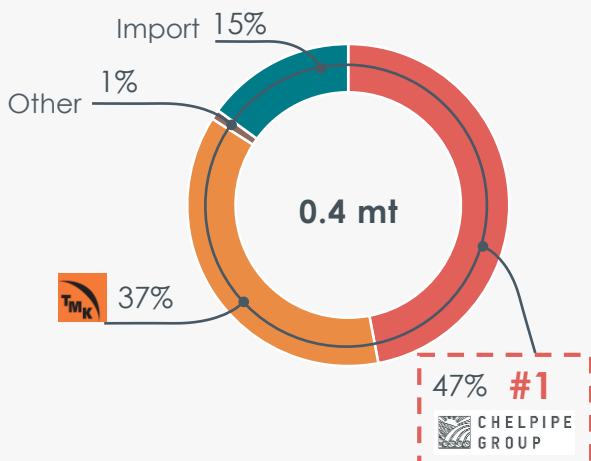
(1) In Russian market including import in H1 2020. (2) Based on production of Russian pipe producers including export. (3) Based on H1 2020 data. (4) Immediate ownership in the Company which does not include 9.3% share of BOUNCEWARD LTD., entity under 100% control of Mr Komarov. (5) Adjusted EBITDA is determined as profit/loss adjusted by finance income and costs, income tax, depreciation and amortization, foreign exchange gain/loss, change in fair value of derivatives, gain/loss on disposal of subsidiaries, gain/loss on disposal of property plant and equipment and intangible assets, impairment of loans and interest receivable, impairment of assets (property plant and equipment, intangible assets, advances for capital construction and intangible assets), impairment of goodwill, social and charity expenses not related to operating activities. (6) Net debt is a total amount of non-current and current borrowings recognized in the consolidated statement of financial position less cash and cash equivalents.

CHELPIPE HOLDS LEADING POSITIONS IN ALL MAJOR STEEL PIPE SEGMENTS IN RUSSIA

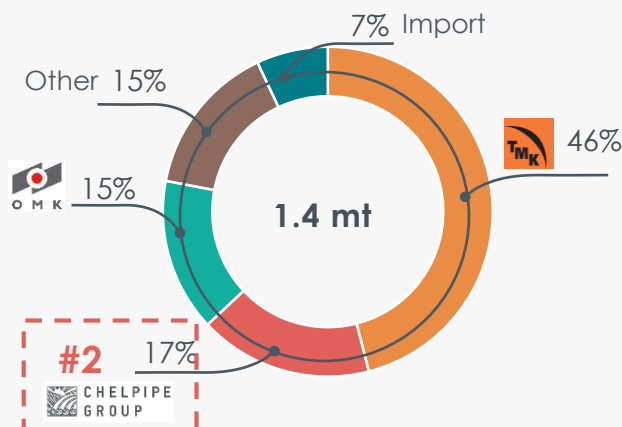


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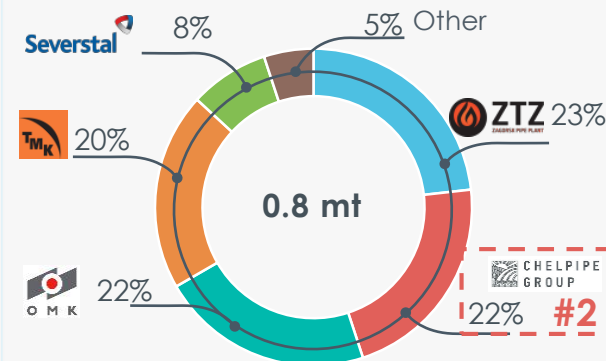
SEAMLESS INDUSTRIAL PIPES (BY SALES VOLUME IN RUSSIA IN H1 2020)



SEAMLESS OIL & GAS PIPES (BY SALES VOLUME IN RUSSIA IN H1 2020)



LDP (BY PRODUCTION VOLUME IN RUSSIA IN H1 2020)





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MARKET OVERVIEW

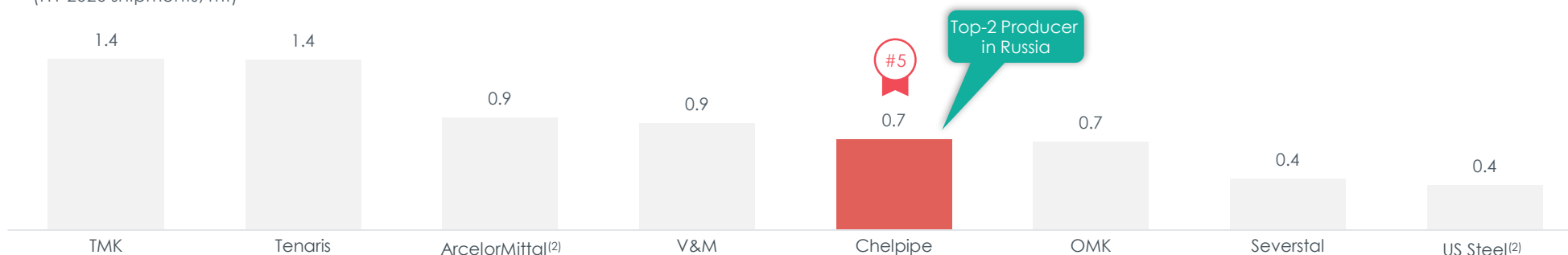


BEST-IN-CLASS PRODUCER OF STEEL PIPES



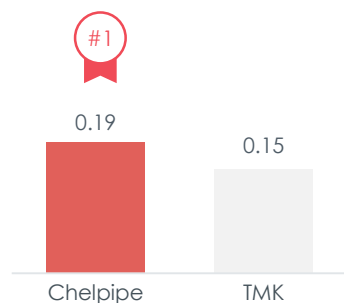
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ONE OF THE LARGEST STEEL PIPE PRODUCERS GLOBALLY⁽¹⁾...
(H1 2020 shipments, mt)

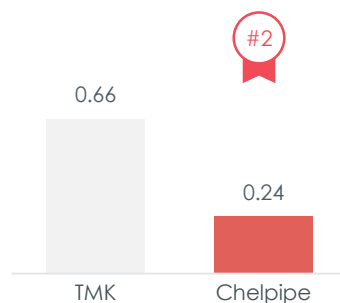


... WITH A STRONG POSITION IN THE RUSSIAN MARKET AND A PRESENCE IN ALL ATTRACTIVE PIPE SEGMENTS

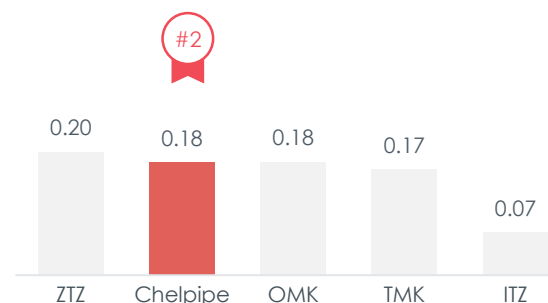
Seamless industrial pipes
(H1 2020 shipments in Russia, mt)



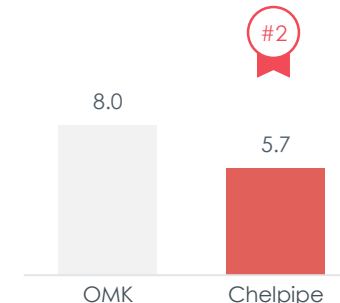
Seamless O&G pipes⁽³⁾
(H1 2020 shipments in Russia, mt)



LDP
(H1 2020 production, mt)



Trunk pipeline systems
(H1 2020 production, kt)



Source: Company estimates based on public data.

(1) Excluding Chinese producers. (2) Estimates based on production volumes for Q1 2020. (3) OCTG shipments do not include shipments of drilling pipes.

INDUSTRIAL SEAMLESS PIPE SEGMENT GROWTH IN 2016-H1 2020



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EXPANSION OF DOMESTIC VEHICLE MANUFACTURING



**Domestic Cars
Production**



**Domestic Trucks and
Buses Production**

LARGE INFRASTRUCTURE PROJECTS



**Russian oil refineries
modernization program**

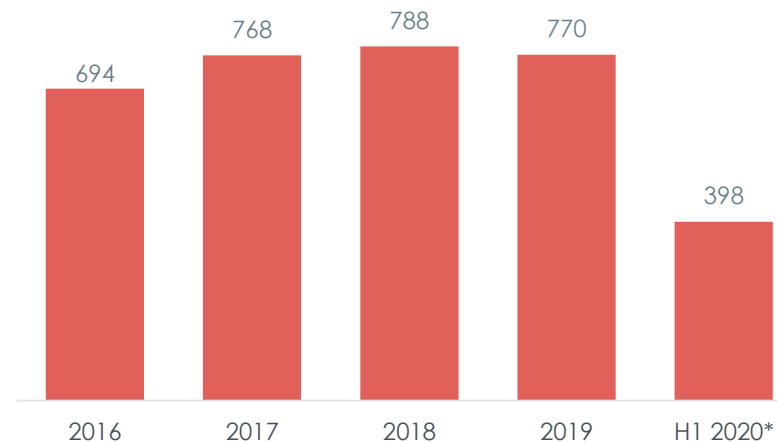


**Reconstruction of
power generation plants**



**Venues construction for
major sport events in Russia**

GROWTH OF SEAMLESS INDUSTRIAL PIPES CONSUMPTION IN RUSSIA (kt)

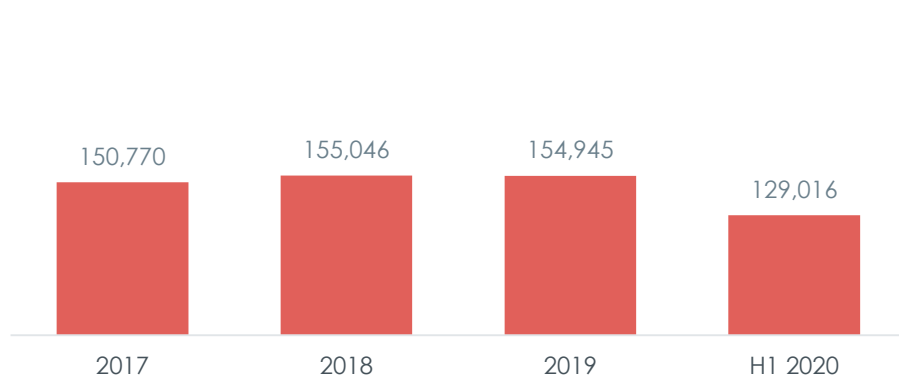


STABLE NON-CYCLE DEMAND FROM RUSSIAN O&G SECTOR

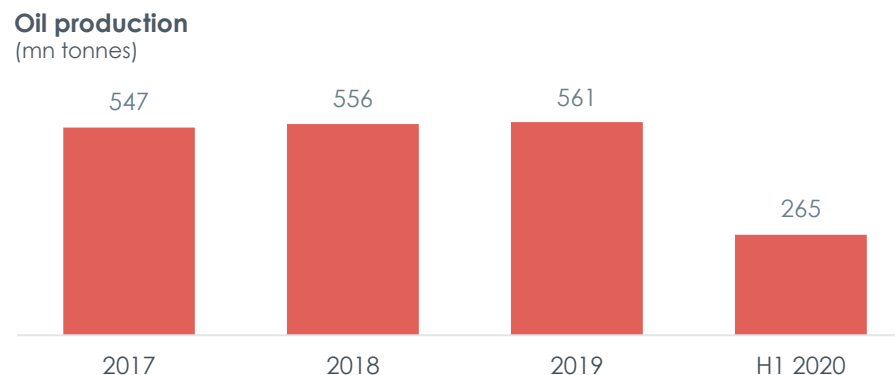


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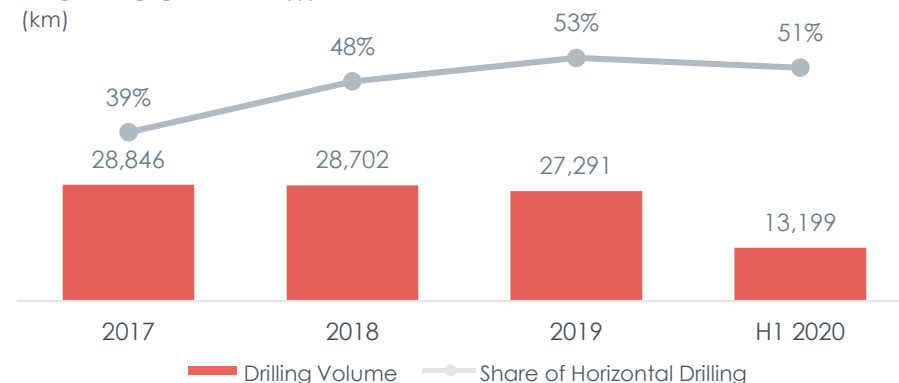
NUMBER OF TOTAL RUNNING WELLS IN RUSSIA



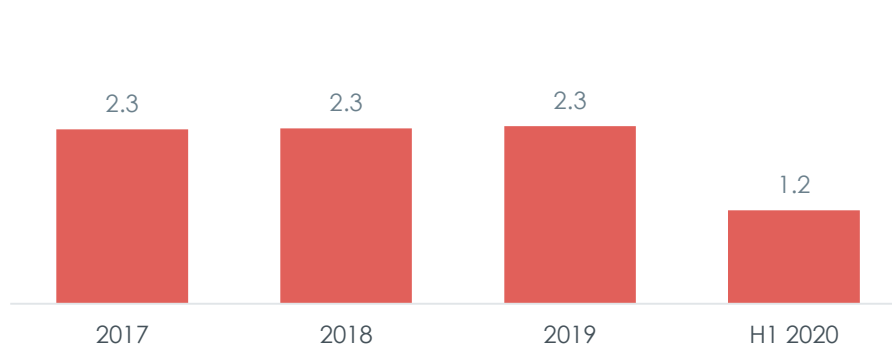
OIL PRODUCTIONS REMAINS STABLE



DRILLING ACTIVITY IS STEADY AND HAS BECOME MORE COMPLEX...
(km)



... CREATING STRONG DEMAND FOR OCTG
(shipments of OCTG in Russia, mt)



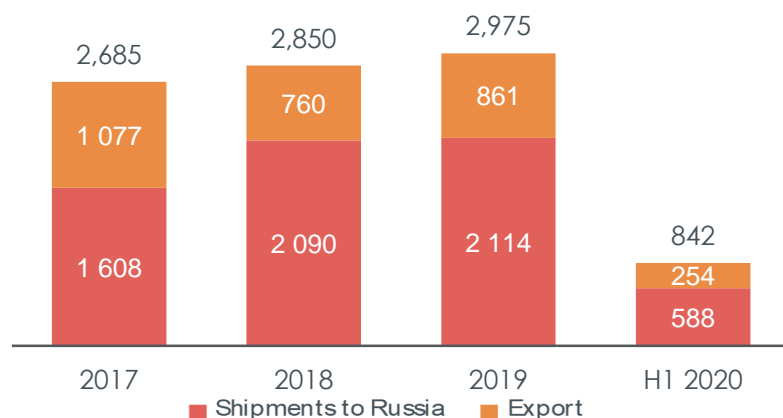
Source: Company data, Fastmarkets MB, corporate financial statements, FactSet, CDU TEK. Upstream taxes are based on Rosneft's and Lukoil's disclosure. Exchange rate and Brent price are based on FactSet data. Oil production and drilling volume are based on CDU TEK.

LDP MARKET OVERVIEW

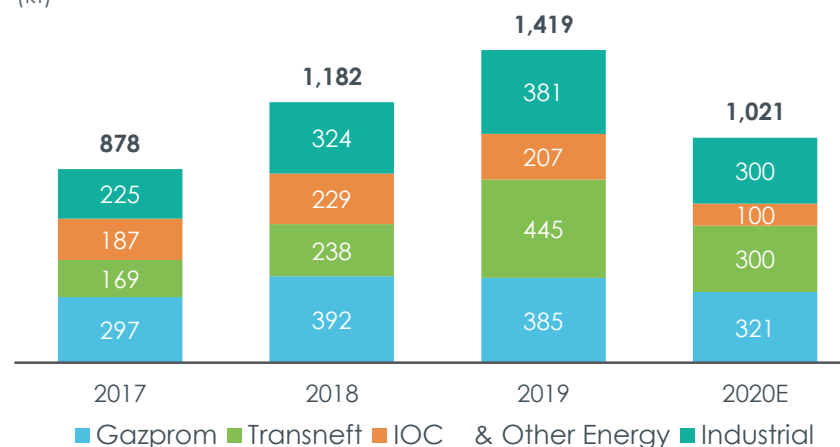


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LDP PRODUCTION IN RUSSIA 2017-H1 2020
(shipments, kt)



RENOVATION AND REPAIR VOLUMES IN RUSSIA
2017-2020E
(kt)



Russian LDP producers are also well positioned to participate in international projects located in MENA and Europe regions due to favorable geographical location and competitive transportation costs

- The key near term projects include:
 - North – South (Pakistan) – a natural gas pipeline running across Pakistan (1,100 km)
 - TAPI – natural gas pipeline in Turkmenistan through Afghanistan into Pakistan and then to India (1,600 km)
 - BSGI – a natural gas pipeline from the Barents Sea (1,000 km)

On top of the major trunk pipeline projects, domestic demand for LDP is driven by the on-going pipeline maintenance programme of Gazprom and Transneft:

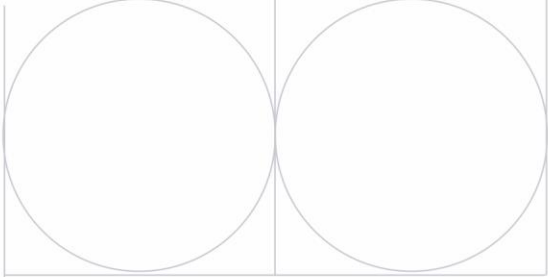
- Majority of Gazprom and Transneft pipelines were built in the 1970s and will soon require replacement
- There is a stable demand from Transneft for around 330 kt of LDP

Vertically integrated oil companies and other companies in the energy sector have a stable recurring demand for LDP of c.100-200 kt p.a.

There is also a stable demand from the industrial sector of c.300-400 kt p.a.



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FINANCIALS



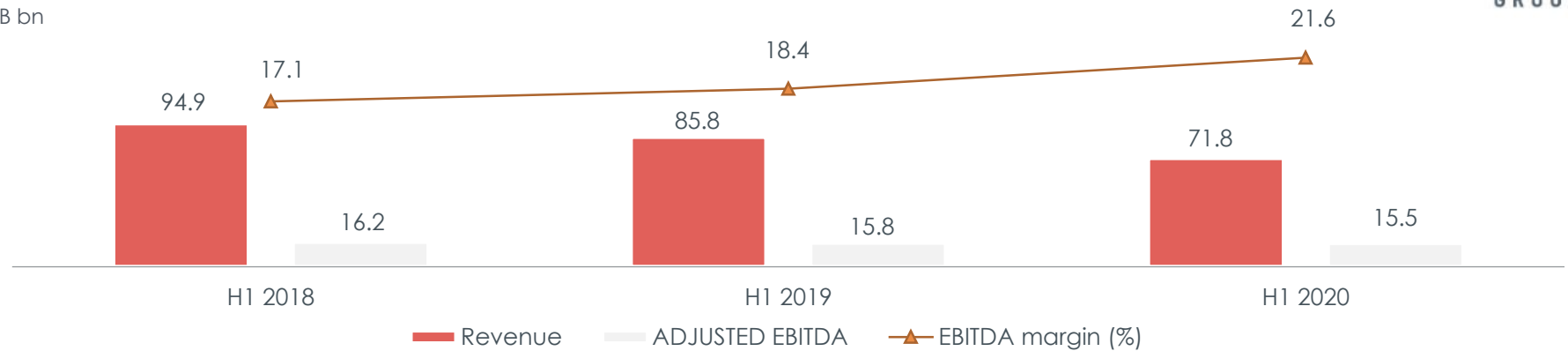
FINANCIAL PERFORMANCE



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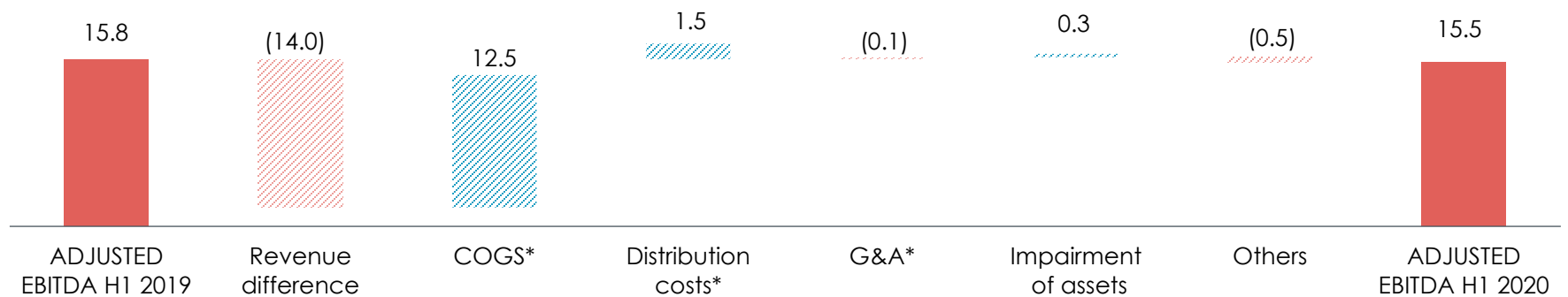
KEY FINANCIAL METRICS

RUB bn



ADJUSTED EBITDA BRIDGE

RUB bn



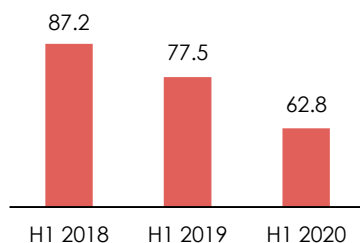
SEGMENT PERFORMANCE OVERVIEW



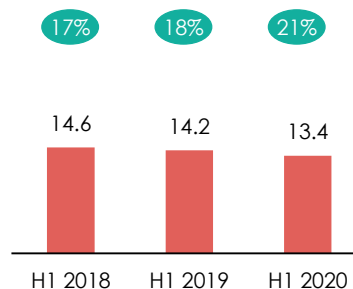
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STEEL PIPE PRODUCTION⁽²⁾

REVENUE FROM EXTERNAL CUSTOMERS (RUB bn)



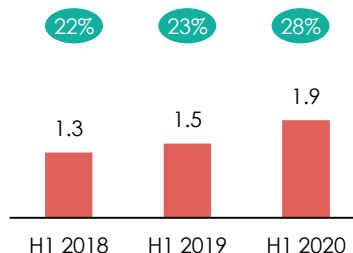
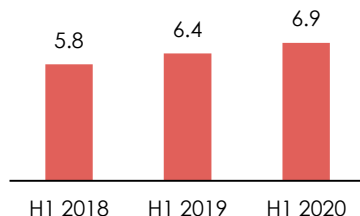
ADJUSTED EBITDA⁽¹⁾ (RUB bn)



COMMENTARIES

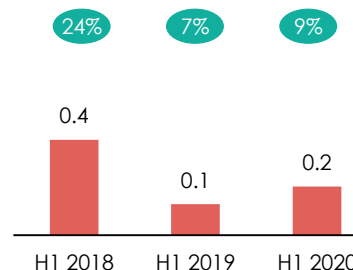
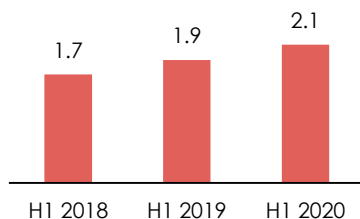
- Decrease in revenue is mainly driven by decline in total volume of shipments, primarily LDP, due to unfavorable market conditions on the back of COVID-19 pandemic
- High cost efficiency as well as focus on high value-added products allowed to achieve higher EBITDA margin

OILFIELD SERVICES



- 70% of revenue increase comes from expansion into FSU countries as well as export sales into Africa and Middle East mainly in artificial lift segment
- Russia is seeing moderate increase in direct sales volumes
- EBITDA improvement is driven by increased utilization at the main manufacturing facilities and massive cost reduction

TRUNK PIPELINE SYSTEMS



- Segment's revenue is highly dependent on the large infrastructure and industrial projects
- Trunk pipeline systems revenue linked to steel pipes revenue, especially to LDP sales (due to complementary nature of trunk products)
- Strengthening market positions by delivering trunk pipelines to nuclear industry

EBITDA margin⁽³⁾

Source: IFRS Financial Statements. Numbers may not add up due to rounding error

(1) Does not include inter-segment adjustments (in H1 2018 amounted to RUB 49mn, in H1 2019 amounted to RUB 1mn and in H1 2020 amounted to RUB 14mn)

(2) Include results of Scrap procurement division

(3) Calculated as adjusted EBITDA (excl. inter-segment adjustments) divided by the revenue from external customers

TRACK RECORD OF OPERATIONAL EFFICIENCY IMPROVEMENTS

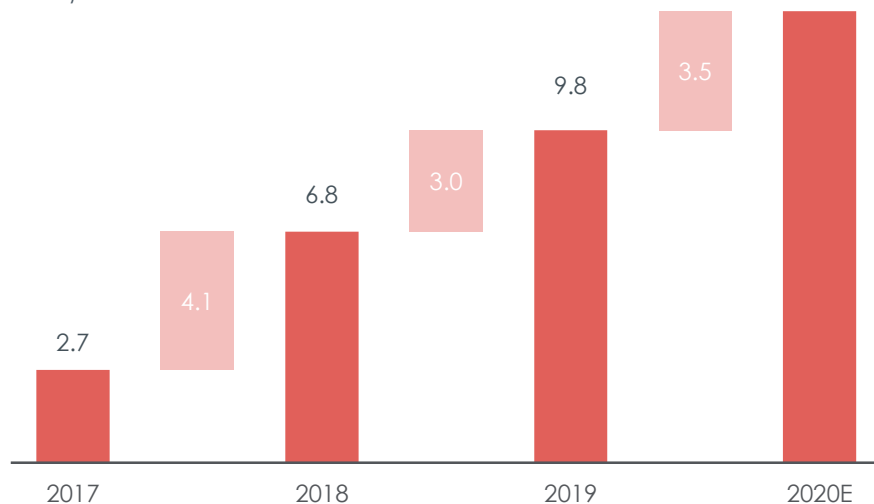


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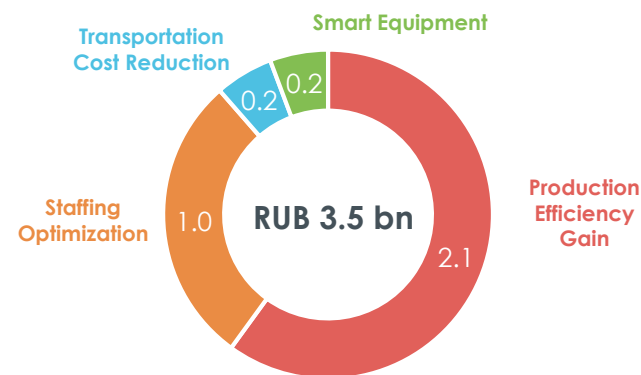
CUMULATIVE SAVINGS
(RUB bn)

>US\$205mn

13.3



SAVINGS BREAKDOWN IN 2020E
(RUB bn)



ALREADY IDENTIFIED AREAS FOR OPERATING EFFICIENCY IMPROVEMENTS



Increase in energy efficiency: launch of internal generation



Further vertical integration in EAF: 1.25mln mt → 1.35mln mt



Creation of Shared Service Center to reduce G&A



Optimization of production costs



Optimization of business portfolio to focus on high margin business



Improving inventory management system



Digitalization and predictive analytics based on BigData



Increase pipe-rolling productivity through further debottlenecking

Operating efficiency program with target to cut

2.5%

of costs⁽¹⁾ p.a.

Expected contribution to target adjusted EBITDA growth: c.15%

Source: Company data.

(1) Total non-raw materials costs: Total costs of Chelpipe subtracting raw material costs: steel scrap, steel plate and other general raw materials.

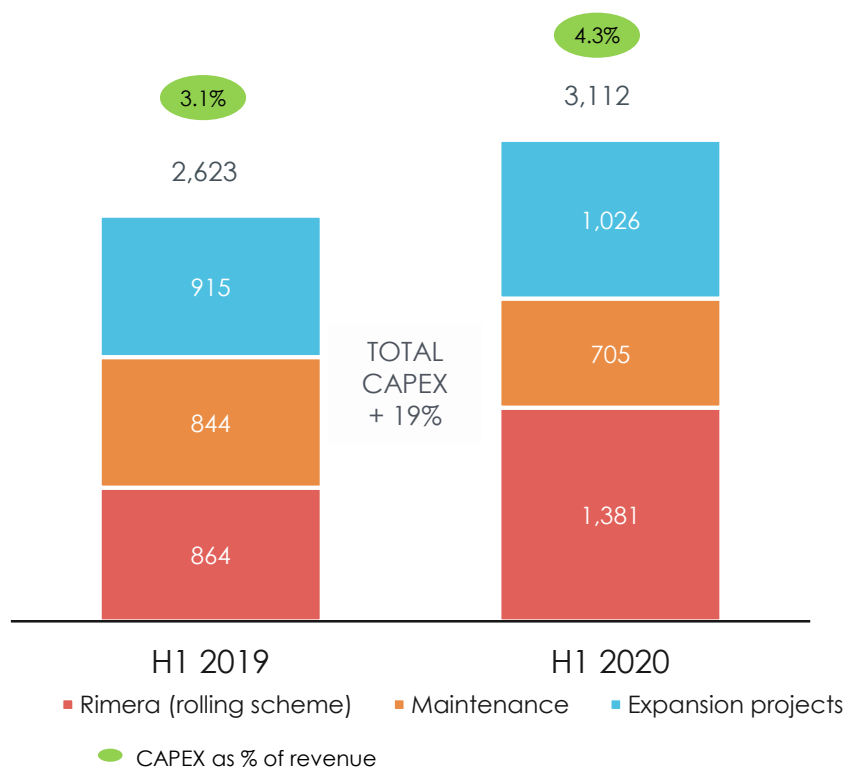
BALANCED APPROACH TO CAPEX MANAGEMENT



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CAPEX DYNAMICS

(RUB mn)



MAIN CAPEX ACTIVITIES (RUB mn)

Expansion Projects	1,026
IT strategy incl.:	37
<i>Business digitalization (ERP)</i>	12
<i>Internal documentation IT solutions</i>	6
<i>Security automatization</i>	18
Operational efficiency program & modernization / Artificial intelligence solutions	364
Innovative projects / Big data analysis	5
R&D	105
Ecological projects	246
Projects in oilfield services	14
Scrap division improvements	5
Other projects	250
Maintenance projects	705
Pipe division	587
Rimera (rolling scheme)	1,381
TOTAL CAPEX	3,112

DELEVERAGING AND IMPROVEMENT OF LOAN PORTFOLIO



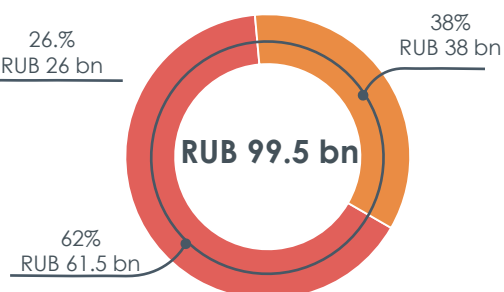
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DEBT BREAKDOWN (as of 30 Jun 2020)

BY CURRENCY



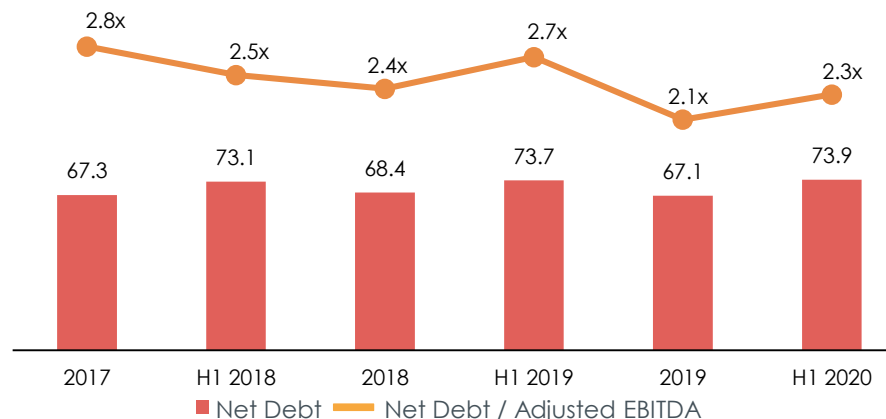
BY INTEREST RATE



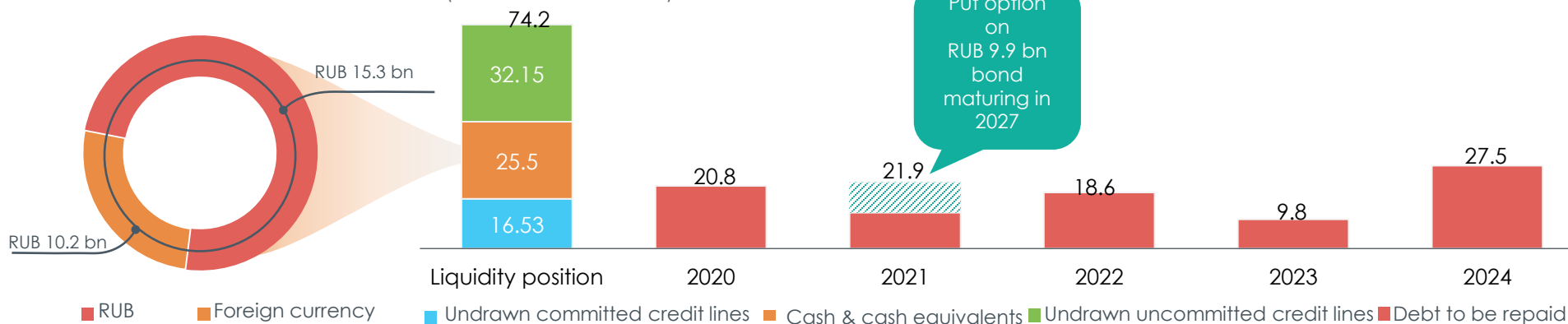
■ Russian rubles ■ Foreign currency

■ Fixed ■ Floating

LEVERAGE EVOLUTION (RUB bn)



DEBT REPAYMENT SCHEDULE (RUB bn, as of 30 Jun 2020)

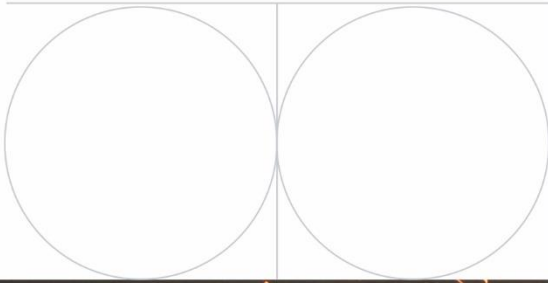


■ RUB ■ Foreign currency

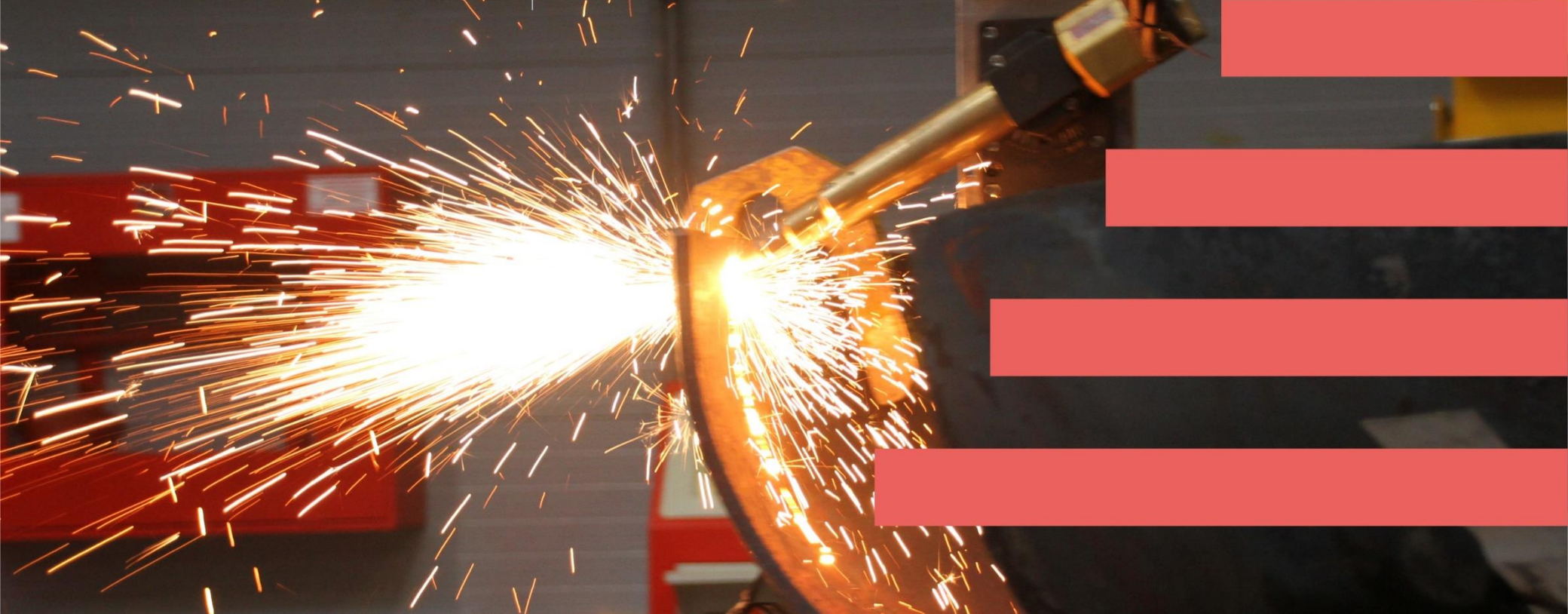
■ Undrawn committed credit lines ■ Cash & cash equivalents ■ Undrawn uncommitted credit lines ■ Debt to be repaid



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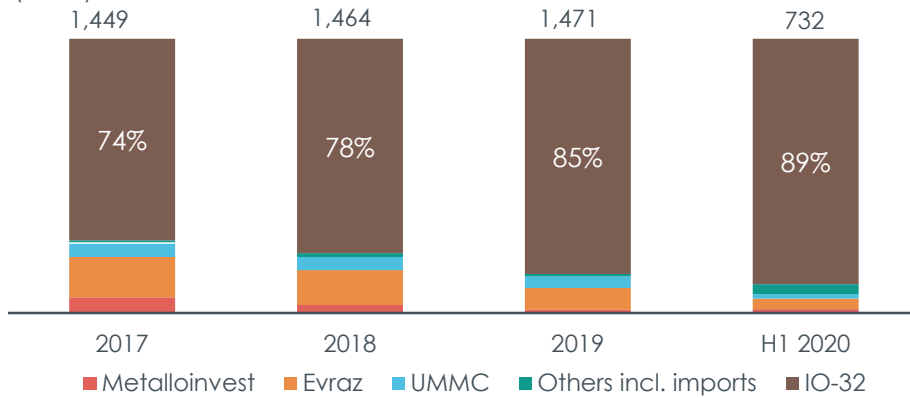
APPENDIX



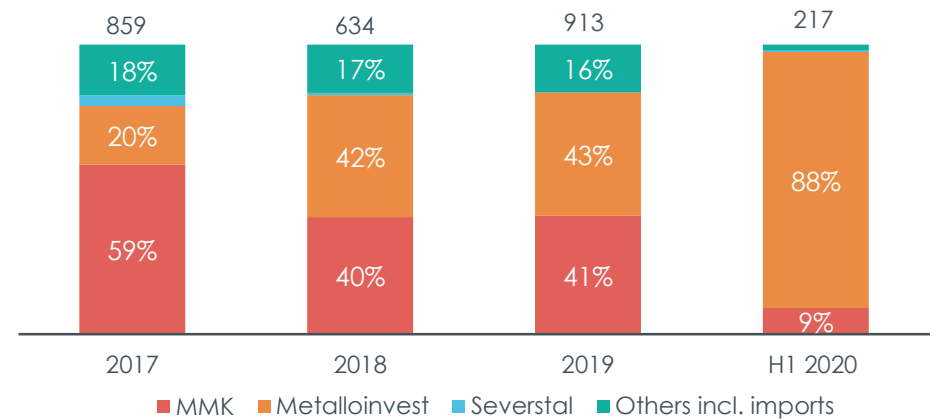
VERTICAL INTEGRATION AND STRONG SUPPLIER BASE



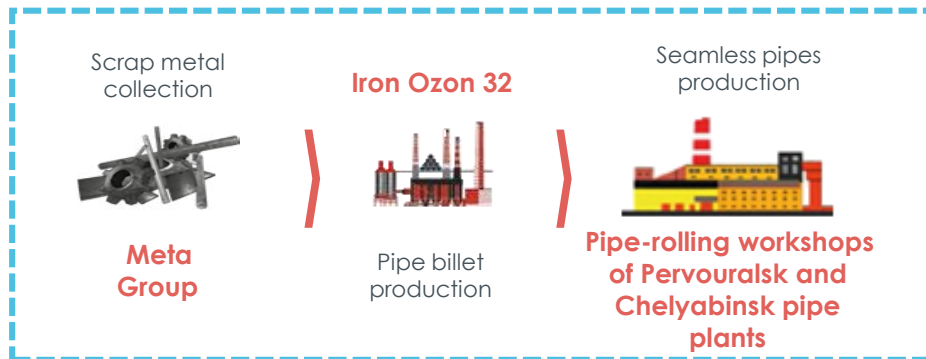
BILLETS SUPPLY STRUCTURE
(000 tn)



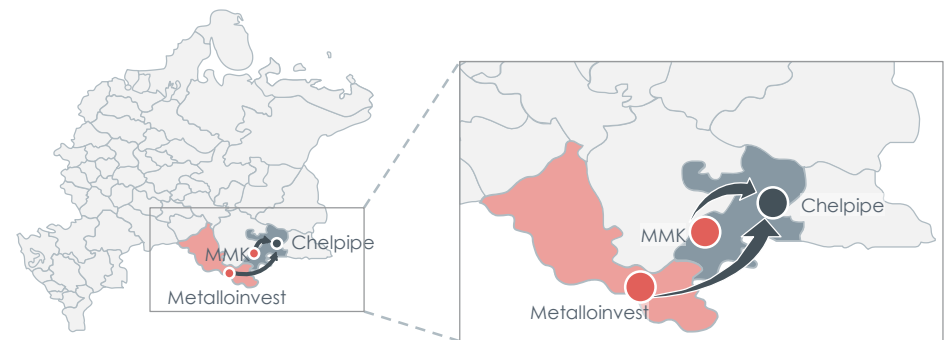
STEEL PLATE PURCHASING STRUCTURE



HIGH LEVEL OF VERTICAL INTEGRATION IN THE PROCESS OF SEAMLESS PIPE PRODUCTION



ADVANTAGEOUS LOCATION OF CHELPIPE NEAR STEEL PLATE SUPPLIERS



OWN SCRAP PROCESSING DIVISION PROVIDES STRONG BASIS FOR VERTICAL INTEGRATION



META GROUP OVERVIEW

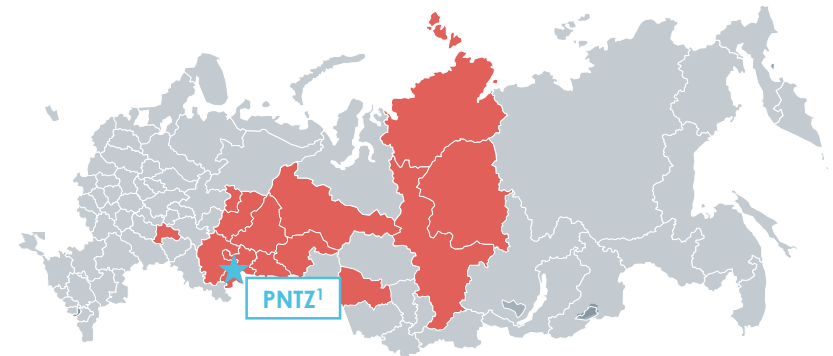
- Established in 2004, META Group is in the top 3 Russian companies engaged in scrap processing
 - More than 90 manufacturing and production sites located in 13 regions of Russia
 - Production capacity of ca.1.4mt p.a.
 - Most manufacturing and production sites are equipped with hydraulic belt elevators and excavators (FUCHS and LIEBHERR)
- 100% self-sufficiency in scrap supplies for steel mini-mill at Iron Ozon 32 (located in Pervouralsk Pipe Plant)

META BENEFITS

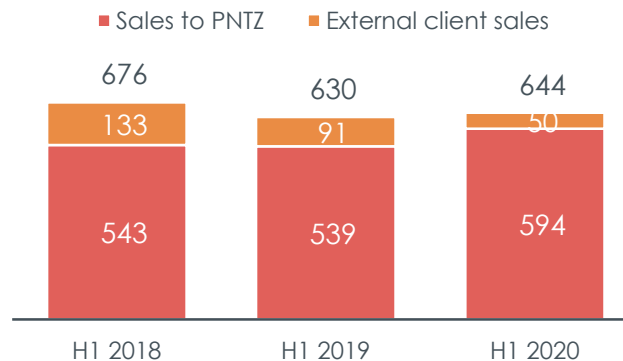
- ✓ Strong collection and processing network generates scrap at below market prices
- ✓ Proximity of scrap collection to manufacturing facilities in Pervouralsk and Chelyabinsk provides competitive advantage via minimized transportation costs
- ✓ Additional cost savings from in-house processing compared to purchased scrap

KEY GEOGRAPHIC REGIONS IN 2020

No	Region
1	Sverdlovsk Region
2	Chelyabinsk Region
3	Perm Territory
4	KhMAD
5	Ulyanovsk Region
6	Tyumen region
7	Samara Region
8	Kirov Region
9	Saratov Region
10	Kurgan Region
11	Yoshkar-Ola



SALES OF STEEL SCRAP (kt)



KEY PARTNERSHIPS



OILFIELD SERVICES OVERVIEW



SEGMENT OVERVIEW

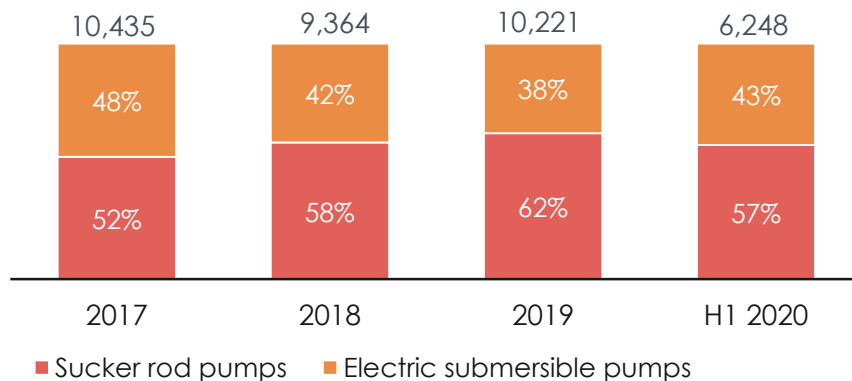
- Chelpipe produces, sells and rents out oil well extraction equipment (such as ESP⁽¹⁾ systems)
 - Company also produces SRPs⁽²⁾, beam pumping units, custom vehicles, tubing pipe couplings, completion equipment for hydraulic fracturing
- In addition to that, Chelpipe provides installation and maintenance services in respect of ESP systems and provides additional products and services for various stages of oilfield development
- Company's facilities in this segment include ALNAS, Izhneftemash, RIMERA-Service and TOO RIMERA-Kazakhstan
 - Currently, Chelpipe considers strategic options (incl. potential divestment) around the OFS segment subject to obtaining favorable terms for the disposal

KEY GEOGRAPHIC REGIONS

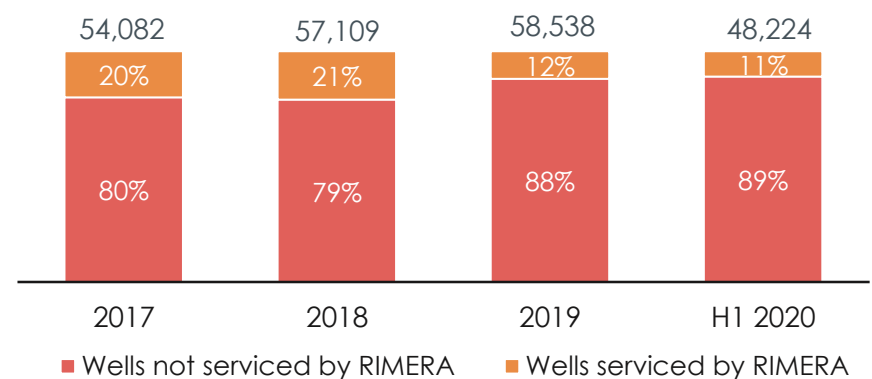
No.	Region
1	Republic of Tatarstan
2	Udmurt Republic
3	Orenburg region
	Khanty-Mansi Autonomous region – Yugra
4	• Nizhnevartovsk • Nyagan
	Yamal-Nenets Autonomous region
5	• Noyabrsk • Muravlenko



PRODUCTION VOLUME IS OPTIMIZED IN ACCORDANCE WITH THE MARKET CONJECTURE



SHARE OF ESP WELLS SERVICING IN RUSSIA







Source: Company data

(1) Electric submersible pump; (2) Sucker-rod drilling pumps;

COVID-19: HSE IS A TOP PRIORITY FOR CHELPIPE GROUP



MEASURES TAKEN AGAINST COVID-19

-  Regular tests and health monitoring at production facilities
-  Travel bans, remote working for office employees
-  Safe working environment: production sites are equipped with hand sanitizers and sterilization lamps
-  Creation of "clean" work teams and train wagons (special apartments located near production facilities) to minimize external contacts

H1 2020 STATISTICS

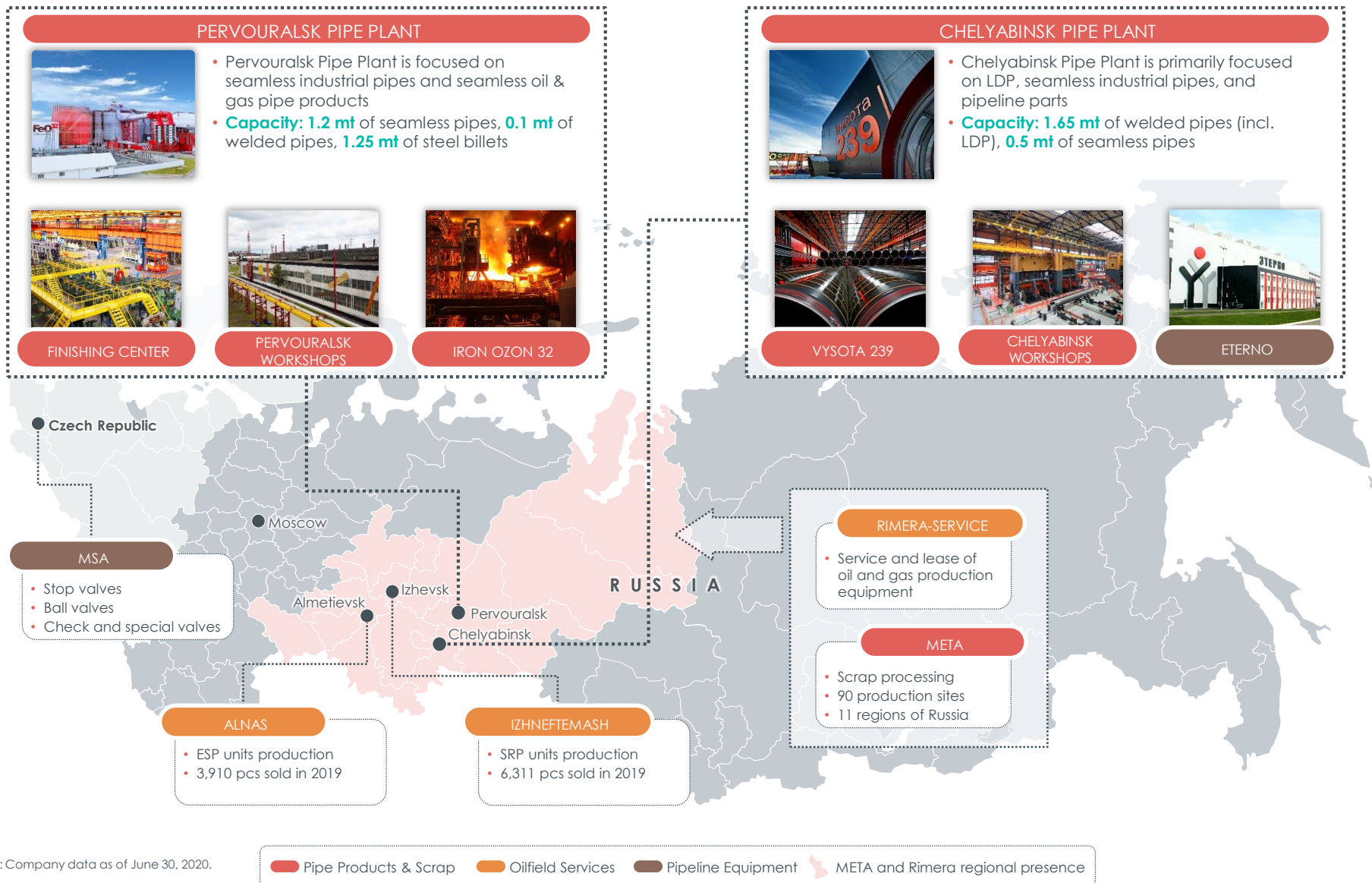
 **14,323**
EMPLOYEES TESTED

RUB 257 mn
SPENT FOR HSE
MEASURES

No disruption in production process.

The Company managed to reduce the impact of COVID-19 on business through implementation of operating efficiency programme aimed to optimize costs

ASSETS MAP – STRATEGIC LOCATION



Source: Company data as of June 30, 2020.

IFRS STATEMENTS



CHELPIPE
GROUP

SUMMARY BALANCE SHEET

	31 Dec 2019	30 Jun 2020
RUB bn		
<i>Cash & cash equivalents</i>	21.1	25.5
Current assets	81	78.1
Non-current assets	67.1	66.1
Total assets	148.1	144.1
Current liabilities	74.6	63.0
Non-current liabilities	67.8	73.4
Total liabilities	142.4	136.4
Total equity	5.7	7.7
Total equity and liabilities	148.1	144.1

IFRS STATEMENTS



CHELPIPE
GROUP

SUMMARY INCOME STATEMENT

	H1 2019	H1 2020
RUB bn		
Revenue	85.8	71.8
COS	(62.6)	(50.1)
EBITDA	15.8	15.5
<i>Margin (%)</i>	18.4	21.6
Operating profit	10.9	11.3
<i>Margin (%)</i>	12.7	15.7
Profit before income tax	5.9	5.5
<i>Margin (%)</i>	6.9	7.7
Net income	4.2	4.5
<i>Margin (%)</i>	4.9	6.2
Basic EPS (RUB/share)	13.7	14.6

IFRS STATEMENTS



CHELPIPE
GROUP

SUMMARY CASH FLOW STATEMENT

	H1 2019	H1 2020
RUB bn		
Profit before income tax	5.9	5.5
Adjustments for depreciation and amortization	4.0	4.2
Adjustments for finance costs	4.7	4.1
Operating cash flows before working capital changes	15.8	15.5
Cash generated from operations	0.5	1.3
Purchase of PPE & intangible assets (CAPEX)	(2.6)	(3.1)
Net cash used in investing activities	(2.9)	(3.1)
Proceeds from borrowings	10.9	47.0
Repayment of borrowings	(12.9)	(38.6)
Dividends paid	-	(3.0)
Net cash (used in)/generated from financing activities	(2.4)	4.9
(Decrease)/increase in cash & cash equivalents	(6.0)	4.4
Cash & cash equivalents at beginning of period	21.6	21.1
Cash & cash equivalents at end of period	15.5	25.5
Free cash flow	(2.4)	(1.8)

CONTACTS



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—1,422



CHELPIPE
GROUP



Department of corporate finance & investor relations

Petr Voloshin

+7 (495) 933-27-80



Ekaterina Romanova

+7 (495) 933-27-80



Moscow, Skolkovo Innovation Center
Bolshoy Boulevard, 40



IR@chelpipegroup.com