INTERPIPE

Annual Report

INTERPIPE Group of Companies

2023

CONTENTS

MESSAGE FROM THE BOARD OF DIRECTORS OF INTERPIPE HOLDINGS PLC

Over the past two and a half years, Interpipe Group has demonstrated an ability to adapt and continue its operations in the context of the ongoing conflict with Russia. During the first year of the conflict, the Group demonstrated remarkable resilience, and in 2023, it responded with agility and efficacy to external challenges, integrating these into its routine operations.

In 2023, the introduction of stringent energy consumption restrictions for industrial consumers presented a substantial challenge, while the destruction of the Kakhovka Hydroelectric Power Plant dam further complicated water supply for our Nikopol. Despite these difficulties, our energy teams, local authorities and Interpipe employees demonstrated remarkable dedication and commitment, enabling us to successfully overcome these challenges and ensure the continuity of our operations.

Despite the challenging circumstances because of the ongoing conflict, the Group has remained dedicated to fulfilling orders for our clients both domestically and internationally. Our efforts have been supported by the ongoing suspension of tariffs and quotas on Ukrainian goods by the United States and the European Union. However, we have also faced logistical obstacles, including a blockade at the Ukrainian-Polish border in November 2023, which incurred additional costs for the Group in the final months of the year.

In 2023, the Group had established stable logistics routes, enabling the seamless delivery of products to key markets. Clients in the Middle East and the United States received shipments through Romanian and subsequently Bulgarian ports, while European customers were served by road transport.

This adaptability enabled the Group to not only retain but also expand its market share. For example, Interpipe entered new market segments and niches in Europe. By the end of 2023, Interpipe Group had launched over 210 new products, tailored to the specific requirements of our European clients. A significant competitive advantage is our «green» electric steelmaking facility, Limited Liability Company "Metallurgical Plant "Dneprosteel" (Dneprosteel LLC), which was constructed in accordance with the European Green Deal standards. offering the Group a competitive edge in the EU market.

The Group is in a stable financial position, fulfilling all commitments to creditors and investors. Please refer to page 121 of our annual report for detailed financial results. In summer 2023, we made a strategic decision to resume critical investment projects, including the construction of a new thermal facility and hydraulic press at Interpipe Niko Tube LLC, as well as other initiatives in our railway and steelmaking divisions. Prior to the war, the Group made significant investments, and it continues to invest in the present. This continued investment underscores our confidence in the future of Ukraine and commitment to supporting local communities.

Given that our production facilities are located in the frontline Dnipropetrovsk region and that Interpipe Niko Tube LLC, the biggest pipe plant, is situated in Nikopol, which has now been officially recognised as a conflict zone, we consider the safety of our employees to be of the utmost importance. We have established mobile concrete shelters and maintain reinforced structures across our sites.

In addition to ensuring the safety of our employees at work, Interpipe is also providing substantial support to employees in these challenging times. Our Ukrainian entities provide an enhanced social support package, particularly for those in Nikopol. Interpipe has facilitated the evacuation, housing and education of our employees' minor children in safer locations. In the event of damage caused by attacks, we provide assistance to employees and their families in restoring their homes.

Furthermore, Interpipe recognises the importance of nurturing talent in engineering and technical professions for future reconstruction of the country. In collaboration with the local government, we have initiated a project to renovate and equip vocational classrooms in Dnipro.

For over a decade, our Mobilization Support Headquarters has been providing invaluable assistance to mobilized employees, ensuring they receive the essential support they need while serving in the military. At present, nearly 1,000 Interpipe employees are serving in the Armed Forces of Ukraine and other national defence units.

In conclusion, we would like to express our gratitude to the Armed Forces of Ukraine, our employees and clients who have continued to support Interpipe during these challenging times. This support has enabled us to maintain our workforce and provide essential assistance to those in need. We are confident that the solidarity between Ukrainian business, the government and our international partners will empower Ukraine to endure and emerge stronger.

Members of the Board
of Directors of INTERPIPE
Holdings PLC

KEY INDICATORS FOR 2023

FINANCIAL AND OPERATIONAL RESULTS

OPERATIONAL RESULTS

680 thousand tonnes of steel products

395 thousand tonnes of pipe products

83 thousand tonnes of railway products

FINANCIAL RESULTS

337 million $ USD EBITDA

989 million $ USD sales volume, including:

- **743** million $ sales of the pipe products
- **205** million $ sales of the railway products
- **41** million $ sales of steel and other products

0,3X debt burden as of December 31, 2023

SOCIAL AND ENVIRONMENTAL RESULTS

ENVIRONMENTAL RESULTS

Interpipe Group has developed a model for calculating the embedded greenhouse gas emissions for all products **covered by the Carbon Border Adjustment Mechanism (CBAM).**

14% **reduction in the volume of total waste** generated in 2023, despite the increase in production compared to 2022

37% is the proportion of carbon-neutral electricity purchased

0,385 tonnes **CO_2-eq** is the **emission** intensity per tonne of steel (Scope 1 and Scope 2)

95% is the volume of used water that has been treated and returned or reused in the water use system

SOCIAL RESULTS

89% is the percentage of the Group's **total purchases from domestic suppliers**

92% of **employees** are covered by a collective bargaining agreement

At the end of 2023, the Group employed **322** **people with disabilities.**

UAH 1.5 billion since the beginning of Russia's full-scale military operation in Ukraine, we have provided **humanitarian assistance** to the country, medical personnel, and civilians impacted by the conflict

83% of employees received a performance review

37% is the percentage of female employees

Main activity

INTERPIPE Group of Companies

2023

ABOUT INTERPIPE

HISTORY OF THE GROUP DEVELOPMENT

By the end of the nineteenth century, the city of Dnipro (formerly known as Katerynoslav) had become a major centre for Ukrainian heavy industry.

1891 The Gantke Nail Factory was established, marking the beginning of Interpipe's expansion into the metallurgical industry

The first plant of the future Interpipe Group rapidly developed its industrial capacity and expanded its product portfolio. Over the course of four years, the plant transitioned its focus to the pipe business, leveraging the latest seamless production technology available at the time.

1895 The first seamless pipe was rolled off the production line

The most prosperous period of the plant dates back to the 1930s when, in less than a decade, an open-hearth shop with its own steel production was established and the country's first rolling mill shop began producing railway wheels.

1933 The first railway wheel was produced at the plant

Over the following decades, the plant's product range was expanded to include oil and gas pipes, drill pipes, and bearing pipes. In the late 1950s, the first electric welding shop was put into operation, enabling the company to produce a wide range of welded pipe.

1990 Interpipe Research and Production Investment Group Corporation was established, marking the beginning of a period of innovation.

Interpipe was involved in the implementation of innovative developments in pipe production technology across Ukrainian metallurgical plants that were formerly part of the Soviet Union. Nizhnedneprovsky Tube Rolling Plant, in particular, was the first of these facilities to receive certification from the American Petroleum Institute (API) in 1994. This enabled the plant to start supplying oil and gas pipes abroad, thereby providing a significant boost to its export capabilities.

1999 The KLW railway brand was launched, uniting enterprises under the Interpipe brand

For nearly 25 years, railway operators and wagon builders worldwide have been purchasing Interpipe's railway products under the KLW brand. KLW WHEELCO, founded in 1999 in Switzerland, represents Interpipe's dedication to advancement, innovation, and robust collaboration.

The innovative approach to investment and operational activities adopted by Interpipe Research and Production Investment Group has become a crucial factor in its continued growth. Major seamless and welded pipe manufacturing enterprises in the Dnipropetrovsk region have joined forces under the Interpipe brand. Interpipe's pipe and railway business has successfully entered the international market and continued to expand its customer portfolio.

2007 Ukraine's largest sustainable development project, the construction of a new steel smelting complex, was launched.

Innovation and decarbonization have become key priorities for Interpipe. To this end, the company decided to improve the quality of its steel melting process and launch a major investment project to build a new plant. In 2008, the Group acquired and began modernizing a scrap metal procurement company, which later became JSC Interpipe Dneprovtormet. This acquisition provided raw materials for the new production facilities. In the same year, we established the first scrap yards of the future all-Ukrainian network.

2008 Production of premium products began

By implementing a comprehensive investment programme, Interpipe has significantly expanded its pipe and wheel production capacity. The Group has also become the first in Ukraine to master the production of a new type of premium anti-corrosion, highly sealed UPJ threaded connection for the oil and gas industry. Furthermore, new high-performance wheel finishing lines have been put into operation, allowing for an increase in the production of export products.

2012 The innovative steel smelting plant, Interpipe Steel, was launched

Interpipe opened the first electric arc furnace (EAF) steel smelting plant in Ukraine, attracting more than $1 billion in investment for the entire project, including the construction of additional infrastructure. The new plant replaced open-hearth production, reducing greenhouse gas emissions and creating more than 500 new jobs.

From 2012 to 2014, the Group made significant investments in technological improvements with the objective of enhancing product quality. During this period, new production lines were constructed for the application of anticorrosive coatings to steel pipes, new coupling equipment was installed, and billet heating furnaces were commissioned at the plants in the cities of Dnipro and Nikopol.

A separate project aimed at innovating operational processes was the digitalization of production. This included the creation of digital twins of Interpipe's industrial sites and the implementation of a new financial and commercial system. Following the closure of the Russian markets to Ukraine due to tensions in 2014, Interpipe Group was able to quickly refocus its sales efforts on the European, Middle Eastern and American markets. In response to market demands, the Group switched from gross production to upon-request production and started to develop new products.

2017 The Group launched production of railway axles and wheelsets

The Group entered a new phase in its railway business with the introduction of an in-house wheelset assembly operation. The company developed the capability to supply finished products directly to customers, thereby eliminating the need to work with other manufacturers. During this period, the pipe segment concentrated on developing and perfecting the technology for manufacturing oil and gas pipes with the UPJ™ line of premium and semi-premium joints. Additionally, we upgraded the heat treatment facility, installed equipment for non-destructive pipe testing, and further expanded production capacity.

2018 New pipe finishing lines were launched in the city of Nikopol

The Group continued to expand and enhance its product range of line pipes for the construction industry. Our commitment to excellence in quality and finishing has enabled us to expand our product range and establish ourselves as a reliable supplier in the market.

2019 New pipe and coupling cutting lines were installed

The Group continues to expand its industrial capacity to produce high-precision threads of its own design. The introduction of new production lines has enabled the Group to increase production volumes of pipes with UPJ™ gas-tight connections and to launch the innovative UPJ-F sleeveless smooth connection.

In order to guarantee flexibility and responsiveness to market changes, Interpipe Group has implemented improvements to its technological processes. In the Railway Division, an investment project was initiated between 2020 and 2022 with the objective of increasing production of machined wheels, wheel finishing, and opening a new area for assembling wheelsets.

2021 The Group completed the formation of its divisional structure and consolidated its seamless pipe rolling shops

Over the past decade, Interpipe Group has been engaged in a continuous process of improvement of both equipment and processes in its companies. The Group's business model is based on a divisional structure.

2022 The Corporate Centre for Support of Mobilized Employees was established

Since the beginning of Russia's large-scale military operation in Ukraine, the company's Corporate Centre for Support of Mobilized Employees, established in 2014, has been significantly expanded. At least one thousand Interpipe employees are currently serving in the Ukrainian Armed Forces. The Group initiated a large social package to support employees and their families, especially in Nikopol.

2023 Resumption of capital investment programs in production

In the context of ongoing hostilities, the Interpipe Group is pursuing a strategy of industrial enterprise development, with a workforce of about 9,000 employees. The Group has made a substantial capital investment in the construction of a new heat treatment facility in the city of Nikopol with the objective of enhancing production capacity in Nikopol. An ongoing investment project at the Dnipro industrial site is aimed at expanding production of pipes for the oil and gas industry, including the installation of a new hydraulic press.

OVERVIEW OF GROUP BUSINESS

This Report provides an overview of Interpipe Holdings Plc and its majority-owned subsidiaries. The primary competitive advantage of Interpipe is its consistent vertical integration. This Report encompasses subsidiaries that Interpipe Holdings Plc controls through direct or indirect ownership of at least half of their shares.

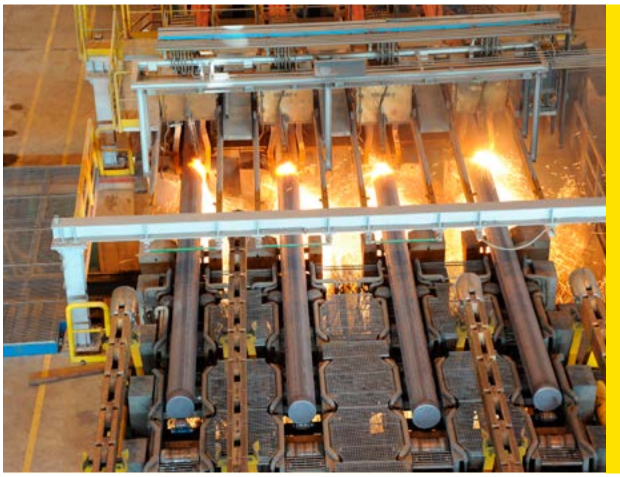
The Interpipe Group is comprised of three primary product divisions: Steel, Pipe, and Railway Products. Each division is further subdivided into production sites and support companies. The production sites are primarily located in Dnipropetrovsk region, within a 150 km radius, which has facilitated the establishment of efficient internal logistics. The company's products are distributed globally through sales offices in four international markets: Switzerland, the United States, Germany, and the United Arab Emirates.

In addition, the Group encompasses enterprises that are not within the divisional structure. The list of companies includes Society Dishware Novomoskovsk LTD, an enamelled dishware enterprise, Interpipe Management LLC, a transport company, Transkom Dnepr LLC, the development department of Research and development center "Quality" LLC, and lime and electricity supply enterprises (Limestone Factory LLC and Dneprosteel Energo LLC). In addition, the Group has sales offices in Ukraine and abroad. These offices are responsible for selling products, representing the Group in the region and optimizing logistics routes.

STEEL PRODUCTION.

The Interpipe's electric steel-smelting plant at Interpipe produces round steel billets for sale to other companies. This allows the Group to guarantee the required chemical composition of steel, its properties, and quality. This model mitigates the risk of steel billet shortages in the Group's operations. The use of an innovative electric arc melting process allows for a reduction in greenhouse gas emissions and, consequently, a reduction in the carbon footprint of the finished products Interpipe has invested USD 1 billion in the design and construction of an innovative metallurgical complex, Limited Liability Company "Metallurgical Plant "Dneprosteel" (Dneprosteel LLC), which has the largest production capacity for round steel billets in Eastern Europe. The complex is pleased to report that it has one of the lowest specific CO2 emissions per ton of steel in the EU, in addition to meeting the latest environmental standards for air emissions. Furthermore, the facility is distinguished by minimal noise levels and the absence of industrial water discharges into external water bodies.

One of the fundamental aspects of Interpipe's vertically integrated business model is its proprietary scrap collection network. Joint Stock Company "Interpipe Dneprovtormet" (JSC Interpipe Dneprovtormet) is engaged in the complex procurement of metal charge and its delivery to the production of Dneprosteel LLC. It consists of eleven scrap collection sites in eight regions of Ukraine with a total annual capacity of 1,350,000 tonnes of scrap.



PIPE PRODUCTION.

Interpipe Group is a leading producer of pipe products for the energy (including oil and gas), construction and machine-building industries. Limited Liability Company "Interpipe Niko Tube" (Interpipe Niko Tube LLC) represents a consolidation of two pipe rolling mills, producing seamless pipes of various types, including those used in oil pipelines, structural pipes, boiler pipes, and other applications. Furthermore, the pipe division includes the Joint Stock Company "Interpipe Novomoskovsk Pipe Production Plant" (Interpipe NMPP JSC), which produces welded pipes for general use from steel plate. The most technologically sophisticated products are the gas-tight pipes of the UPJ and INTREPID series, which have been designed for use in oil and gas wells in challenging geological conditions. The Group is engaged in ongoing efforts to enhance the performance of its pipe products.

In order to increase production efficiency, Interpipe has established cooperative relationships with other prominent manufacturers. One of the most successful examples of such cooperation is the joint venture between Interpipe Niko Tube LLC and Vallourec, a global leader in the production of pipes for the oil and gas industry. Vallourec Niko Tube LLC has integrated Vallourec's expertise and technology with our in-depth knowledge of the Ukrainian market. From 2018 to 2021, the joint pipe processing plant in the city of Nikopol produced certain types of seamless pipes, which were then sold on the international market under the Vallourec brand. A number of our production employees undertook an internship at Vallourec's facilities in Germany. Our joint venture products were first launched in 2021 under the Interpipe brand, and one year later the Group acquired the shares, thereby becoming the sole owner of the company.

Despite a notable decline in production volumes at the outset of the full-scale invasion, the Group has retained its position as one of the world's top ten seamless pipe producers. In order to maintain a strong market presence, it is essential to continuously develop new products and improve production technology. In particular, the intensification of R&D has enabled Interpipe to develop over 210 new products for the European market between 2022 and 2023.

PRODUCTION OF RAILWAY PRODUCTS.

Interpipe Nizhnedneprovsky Tube Rolling Plant PJSC (Interpipe NTRP) manufactures railway products. It is the only production enterprise within the Group that is part of the Railway Division. The Group supplies a range of products, including wheels, axles, wheelsets, and belts, to railway operators, as well as to wagon builders and repairers. Railway products are supplied to export markets under the KLW brand, which has been developed over more than 24 years. In response to market demand, the Group has attracted investment to start manufacturing railway axles and assembling wheelsets. With extensive experience in cooperation with railways in Poland, Austria, Bulgaria, Slovenia, India, Germany, Britain, and beyond, Interpipe has become a leading global exporter of railway products. Our diverse product range for freight and passenger fleets has positioned us as one of the top three wheel exporters worldwide.

Product diversification is a key strategic objective for the Group. Each of our business areas (Steel, Railway and Pipe) is described in more detail in the ***Business Profile and Key Segments section.***

Since its foundation, Interpipe Group has consistently implemented cutting-edge production technologies and innovations to ensure the high quality and competitiveness of its products. The Group concentrates its efforts on high-margin market segments. In the pipes segment, the focus is on expanding the product line for oil and gas production in challenging geological conditions and precision pipes for mechanical engineering, improving heat treatment technologies for seamless pipes and non-destructive testing technologies. In the railway sector, Interpipe is focusing on the development of wheels with higher axle loads and longer service life, as well as on the expansion of its product range for the high-speed passenger segment.

EXTERNAL INITIATIVES

Since 2009, Interpipe Group has been a member of the UN Global Compact Network in Ukraine (UNGC). After a six-year break, the Group resumed its active participation in the initiative in 2021. As part of its engagement with the UNGC, the company prepares and publishes an annual report, the Communication on Progress, and regularly participates in the organisation's events, including conferences and open discussions on environmental issues, anti-corruption measures and post-war reconstruction in Ukraine. Further details can be found in section Impact on local community development.

MEMBERSHIP IN ASSOCIATIONS

We are fully committed to participating in the formulation and implementation of long-term, medium-term, and current development programs for the mining, metals, and scrap industries in Ukraine. In order to achieve this objective, Interpipe Group and its individual enterprises have affiliated with the following organizations:

- **Ukrtruboprom Association**
  The association's mission is to improve the efficiency of pipe companies, facilitate cooperation between them and introduce modern technologies. To this end, Ukrtruboprom has formed a partnership with the State Pipe Institute and the national certification body VNITI-TEST LLC, uniting 13 specialized pipe companies in Ukraine. In addition, the Association is concerned with social issues and the supply of pipes to the national economy. Interpipe has maintained a long-standing membership of the Association for over 20 years.

- **Ukrmetallurgprom Association**
  The Association was established with the objective of creating optimal conditions for the stable and sustainable development of Ukraine's mining and metallurgical complex. For over 25 years, Ukrmetallurgprom has been honoured to include among its members Ukraine's leading mining and processing enterprises, research, design, and development institutions, educational institutions, and metallurgical companies. In July 2015, Dneprosteel LLC became a member of the Association. In 2016, the company was elected an affiliate member of the World Steel Association. Furthermore, Ukrmetallurgprom works with European and global institutions to represent the trade and economic interests of its members.

- **Public Union "Ukrainian Association of Secondary Metals" (UAVtormet)**
  The Ukrainian Association of Secondary Metals has been in operation since 1999 as a non-profit association representing recycling companies. Approximately 75% of the turnover of ferrous scrap and waste in Ukraine is accounted for by the association's members. The Association's primary objective is to represent and protect the interests of its members in the markets, ensuring a priority supply of scrap to Ukrainian producers. The Association's activities in the field of scrap metal operations foster a competitive environment and help prevent corruption. In December 2018, Interpipe Dneprovtormet JSC became a member of the Association. Over the past five years, the enterprise and its regional divisions have been instrumental in initiating and developing projects to regulate business activities in the secondary metals sector.

- **Federation of Employers of Ukraine**
  The Federation of Employers of Ukraine (FEU) was established in 2002 to represent and protect the interests of business in Ukraine and internationally, to establish effective cooperation between business, government and trade unions, and to implement best business practices in Ukraine. The FEU has about 8,000 member companies, which generate about 70% of Ukraine's GDP and provide jobs for about 3 million people. Interpipe became a member of the FEU in September 2020.

- **The Association of European Businesses (AEB)**
  The Association of European Businesses (AEB) was established in Ukraine in 1999 with the support of the European Commission. The AEB represents over 1,000 companies that are currently operating within the Ukrainian market. The AEB's activities are primarily focused on providing support for the growth of its member companies within the Ukrainian market. Additionally, the AEB facilitates contact and collaboration between its member companies, protects the interests of investors, and promotes cooperation between Ukraine and the EU. The AEB receives considerable media attention, which effectively promotes Ukrainian exports and showcases Ukraine's investment and business prospects. In March 2017, Interpipe became a member of the association.

- **Federation of Metallurgists of Ukraine**
  The Federation of Metallurgists of Ukraine (FMU) is a nationwide association of regional employers' organisations of mining and metallurgical enterprises, established in 2006. The Federation's members are the largest companies in the mining and metals industry. Its objective is to facilitate a trilateral social and economic dialogue with the government and trade unions on behalf of the companies in the industry. The FMU develops solutions that are mutually beneficial in order to maintain balance between the interests of the state, business owners and labour collectives. In June 2016, Interpipe became a member of the FMU.

STRATEGIC PRIORITIES OF INTERPIPE GROUP

OVERALL DEVELOPMENT STRATEGY OF THE GROUP

In recognition of the competitive advantages offered by vertical integration and diversification in cyclical global markets, Interpipe initiated a strategic restructuring of its structure in 2008. The Group has since developed a strong vertically integrated management system, establishing itself as a prominent and respected player in the global market.

One of the most comprehensive strategic decisions was the construction of an electric steel smelting shop at Dneprosteel LLC, with one of the lowest carbon footprints per tonne of steel produced in Europe. In 2012, the company launched scrap collection sites, a sorting and processing facility in the city of Dnipro and its own dedicated power line from Prydniprovska TPP directly to Dneprosteel LLC. This provided the Group with the necessary volumes of power supply volumes and optimized tariff costs.

The Group's efficient vertical integration and its combined scientific, production, human and managerial capabilities have ensured that Interpipe Group is a confident global player in the steel, pipe and railway products market:

a place in the **TOP-5** of the **world's largest railway manufacturers**[1]

a place in the **TOP-10** of the **world's largest exporters of seamless steel pipes**[2]

status as the **largest producer of seamless steel pipes and railway products in Ukraine.**

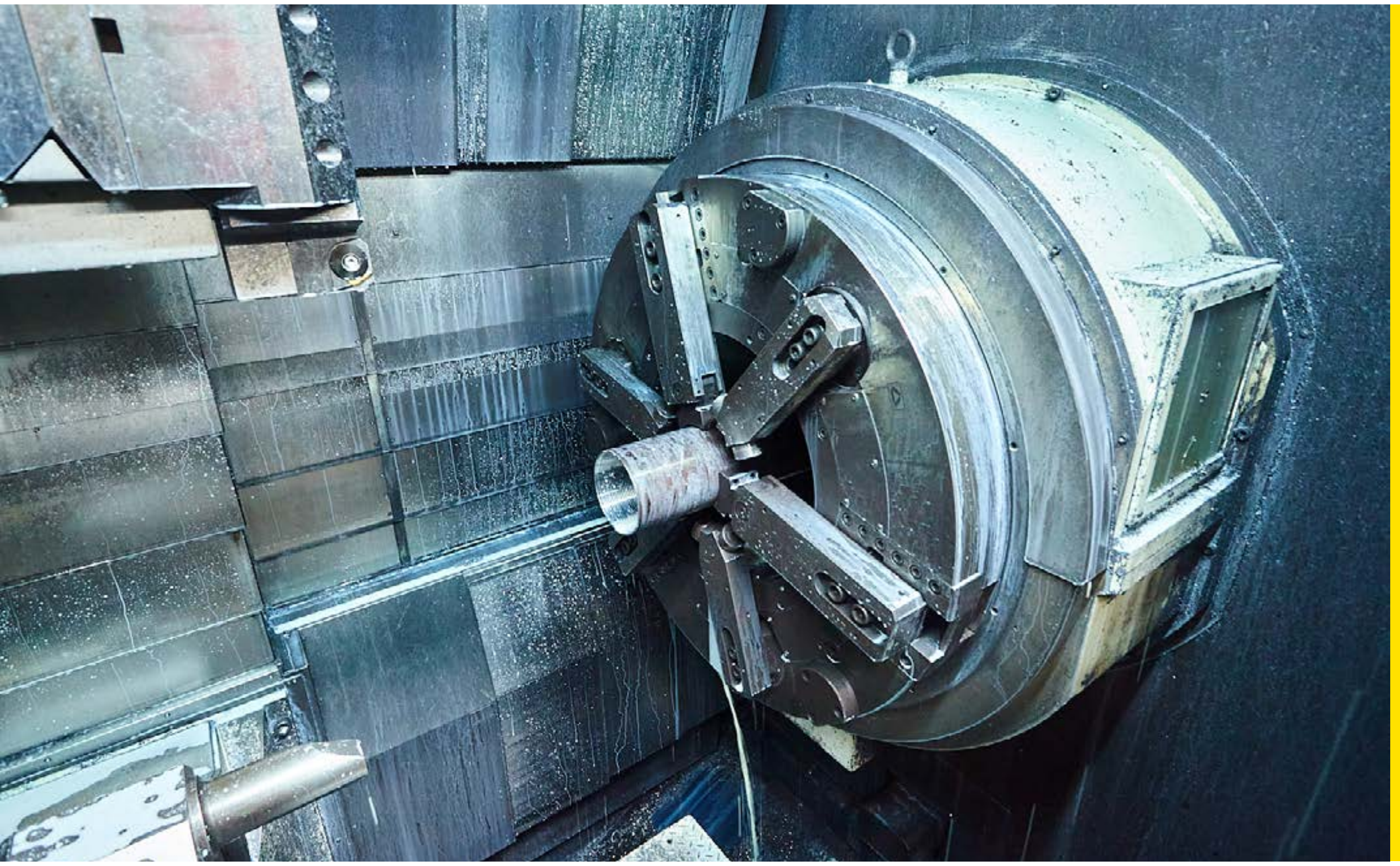
The Interpipe Group's strategic plan is focused on increasing the value of the business through expansion of production volumes and increased sales of high-margin products with significant added value, as well as contributing to its sustainable development. The Group's production strategy is based on forecasts and trends in the sales markets, with the goal of strengthening its position as a national and international industry leader.

As part of the Group's structural reorganization, Interpipe has identified three distinct business segments (divisions) to facilitate effective management, each with its own objectives and key performance indicators (KPIs). The vertical integration model ensures effective diagonal interaction between the segments.

All the Group's main production facilities are located in Dnipropetrovsk region, within a radius of 120 km from the Group's headquarters. This advantageous and compact geographical location allows for efficient management and operational control, as well as improved logistics and interaction between the various links of the production chain. The Group's strategy is based on six key elements:

- **Vertical integration**
The Group's vertically integrated structure has enabled it to improve the management and reliability of its supply chain, allowing it to effectively monitor all elements of the value chain for its finished products. This has resulted in improved quality. From a strategic point of view, the Group's structure allows us to adjust the carbon intensity of production and accelerate the development of new products. Our primary objective in integrating this vertical strategy is to ensure operational sustainability and strengthen competitive advantages, thereby increasing the value of the Interpipe Group as a comprehensive, competitive and highly profitable company. Our vertically integrated business model enables us to optimise production costs, allowing us to respond

1 Excluding China's production volumes
2 Excluding China's export volumes



effectively to high-price competition in global markets, international trade barriers and legislative restrictions on Ukrainian steel and pipe products.

- **Product and geographical diversification**
  The Group's diversified product range and distribution network provide resilience to cyclical and sudden regional and global market fluctuations in product consumption and pricing. The Group's products are supplied to over 70 countries and are sold to four major regional export markets (Europe, America, the Middle East and North Africa, and Central Asia) as well as the domestic market. To guarantee optimal sales and supply chain efficiency, the Group has established sales offices in Kyiv, Lugano (Switzerland), Frankfurt am Main (Germany), Houston (USA), and Dubai (UAE).

- **Increase the proportion of high value-added products, including through the development and introduction of new products.**
  This approach increases the margin and value of the business, as well as its proximity to the end consumer. The availability of in-house scientific innovations and developments, along with their patent protection, reinforce the niche positions of the products and their competitiveness. The Group's primary focus is on the energy segment, namely premium and semi-premium OCTG pipe connections (Oil Country Tubular Goods). Additionally, the Group is actively developing segments for passenger and high-speed wheels and wheelsets in the international railway markets.

- **Financial strength and high level of liquidity**
  The Group's strong financial position allows it to manage external market and macroeconomic shifts and adverse events while maintaining uninterrupted production. This strategy not only ensures the stability of the Group's operations, but also allows for the accumulation of reserves for future recovery and financial expansion.

- **Stepping up efforts to promote sustainable development**
  The Group supports global trends towards decarbonization and adaptation to climate change. The modern electric steel smelting complex of Dneprosteel LLC already has a significantly reduced carbon intensity compared to the steel production of many competitors. This contributes to the development of strategic advantages for the growth of demand for the Group's end products in the rapidly developing global market for green steel. In addition, taking into account the carbon tax imposed by the CBAM mechanism, future participation in the UA ETS, possible regulatory and market restrictions and reputational risks, our environmental policy addresses the need to reduce the Group's future carbon-related costs. The company is implementing a plan to reduce the carbon content of all its production processes and is working to improve its waste management and recycling system.

Identifying, analysing, and mitigating risks is one of the key tasks for further implementation of the development strategy and achieving the long-term goals of the Interpipe Group of Companies. To adapt to the following key challenges, the Group considers and takes the following measures

- **Trade barriers**
  The Group maintains transparent operations and engages in cooperative relationships with trade commissions and government authorities. These activities guarantee a diversified and balanced market presence, thus mitigating the risk of losing critical markets due to potential trade restrictions.

- **Limited domestic market for pipe and railway products**
  Given the distinctive features of the Ukrainian market, the Group has developed a strategy that goes beyond the domestic trading sector. This approach has enabled the Group to develop a diversified sales structure with a high export share (over 70%), ensuring the realization of the full industrial potential and business growth.

- **Sustainability and development prospects of the domestic scrap metal market**
  The production of steel billets at Dneprosteel LLC is supported by a network of its own scrap procurement and processing sites, namely Interpipe Dneprovtormet JSC. This represents one of the basic components of the Group's vertical integration. With a production capacity of 1,350 thousand tonnes of scrap per year, Interpipe Vtormet is capable of fully meeting the scrap needs of the steel smelting complex.

- **Increased demand and rising prices for scrap metal due to the greening of the global steel market**
  The gradual reduction of the carbon intensity of steel production will lead to increased demand and higher prices for scrap metal, the main raw material for the Interpipe Group's steel production. In particular, the Group will face the challenge of sourcing raw materials for its steel production in an already tight market during the post-war reconstruction of Ukraine. Therefore, the Group is actively working on the introduction of sustainable production in the long term (for more details, see the Production segment: Steel section).

- **Strengthening carbon regulation and introducing market mechanisms (CBAM, ETS)**
  In view of global trends in carbon regulation, the Group is committed to maintaining and improving the specific carbon intensity of the steel melted in the EAF, which is already among the lowest in the EU. This will ensure that the final marketable products have a low carbon footprint according to accepted calculation methods. With the introduction of market-based carbon regulation mechanisms, the Group plans to continue investing in the implementation of the latest low carbon technologies.

- **Skill shortages and labour migration**
  The war has forced a significant portion of the working-age population to relocate, which has had a negative impact on the domestic labour market. In addition to the current situation, the Group is considering the potential risks of a possible increase in labour migration after the end of the war and Ukraine's accession to the EU. The Group's strong financial position enables it to offer attractive and competitive remuneration packages and investment opportunities in professional development and career growth for its employees, fostering long-term and mutually beneficial relationships. In addition, to support its talent pool, Interpipe Group is strengthening its reputation as an employer and developing long-term educational programs with local universities and vocational schools.

As part of its strategy, the Group is guided by the principles of sustainable development to ensure inclusive growth while addressing environmental, social and governance issues in the regions where it operates.

The primary objective of the Interpipe Group is to develop a sustainable, responsible business through the integration of our scientific, production, management expertise, and human capital. This approach enables us to create long-term value for the Group's shareholders, the end users of our products, our partners, and our employees.

One of the company's main goals is to serve the Ukrainian market and contribute to the country's energy independence and its future post-war reconstruction. This will require significant volumes of our products for use in the construction, engineering and energy sectors, taking into account modern technologies and environmental requirements

STRATEGIES OF INDIVIDUAL GROUP SEGMENTS



The Group's business is structured into three production segments: steel billets, steel pipes and railway products.

PIPE PRODUCTS SEGMENT

The majority of sales, revenues, and net income for the pipe business segment are derived from seamless steel pipes. These include energy pipes, including those for the oil and gas business (Oil Country Tubular Goods), line pipes used in construction, industry, engineering, pipeline infrastructure and mechanical pipes, mainly for mechanical engineering. The Group's key strategic drivers for the development of the steel pipe segment are as follows:

- **Product and geographical diversification**
  The Group's supply structure for steel pipe products is well-balanced and includes five key regional markets: Europe, America, Ukraine, the Middle East and North Africa, and Central Asia. The main objective is to expand the product and geographic portfolios. We are focusing on:
  - Increasing the proportion of high-value added products in the sales range. This includes the energy sector product line (including OCTG pipes for the oil and gas sector) and mechanical pipes, with a particular focus on North America (USA), the Middle East and North Africa;
  - Attracting new customers in Europe (development of Northern Europe), the Middle East and North Africa, and the US in the energy sector pipe segment by continuously expanding the portfolio of potential end users by meeting the qualification requirements for regular participation in tenders and auctions with international oil companies;
  - Expanding the product range in the existing production facilities, making Interpipe Group a unique seamless pipe manufacturer with the ability to cover all market segments.

At the same time, the strategic objective in Ukraine is to contribute to the reconstruction of the country and the restoration of industrial capacity by offering the widest possible range of pipe products for construction, as well as to support the national strategy of energy independence and the production of Ukrainian oil and gas.

- **Strengthening the Group's focus on high value-added products**
  The Group is pursuing an expansion of its high-value-added product range (in the energy sector pipe segment and in the semi-premium and premium OCTG segment) through:
  - Increasing the production capacity for the range of premium joints and couplings, their heat treatment, finishing and labelling;
  - Investment in the development of new types of tight joints and couplings and the expansion of the OCTG product range and for the energy sector as a whole;
  - Expansion of the service network for own-manufactured OCTG products by certifying new service centres in North America, the Middle East and North Africa;
  - Provision of technical support to OCTG customers in Ukraine directly at the production site.

The Welded Pipe segment, which produces round and shaped pipes, represents an insignificant share of sales and revenues and is currently not strategic for the Group.

RAILWAY PRODUCTS SEGMENT

The product range includes wheels, axles, wheelsets and belts for freight and passenger locomotives.

The key strategic factors for the development of the railway products segment for the Group are:

- **Geographical diversification**
  The Group has four main markets for its products: Ukraine, Europe, Far Abroad and[3] the CIS[4]:
  - In the domestic market, our primary objective is to ensure an uninterrupted supply of quality products for the renewal and repair of wagons used by public and private operators. This will support the country's recovery and drive an increase in freight traffic and turnover. The Group is also working to improve technical parameters and offer more innovative products to the market.
  - In Europe, the Group aims to expand its market share in the freight segment.
  - Another key area of development is the gradual entry into the into the passenger car wheels market to supply rolling stock operators and wagon manufacturers. The strategy outlines the necessary investments and the process for entering European markets and developing products for urban and intercity rail transport. The company focuses on increasing sales of new products, including passenger wheels, wheel sets and special wheels for customers with specific requirements.
  - In other markets, the company's strategy is to expand its geographical reach. In North America, this entails entering the US truck wheel market. In Asia, it involves entering the Indian market.
  - In view of the recent military actions, Interpipe Group is accelerating the process of reorienting its production to increase the supply of wheels and wheelsets to the European and other regional markets. To this end, the Group is updating its strategy for the railway products segment.
- **Strengthening of the Group's focus on high value-added products and downstream production as part of the vertical integration process**
  Interpipe is pursuing a strategy of increasing the proportion of high-value products (passenger car and specialty wheels) and promoting vertical integration through increased production of axles and wheel sets.

In this segment, we focus on the following areas:

- Increasing the in-house heat treatment capacity for wheels and axles;
- Increasing the in-house capacity for wheel and axle machining, inspection, painting and packaging;
- Increasing the in-house capacity for wheel set assembly and inspection;
- Mastering the production of special wheels and axles.

STEEL SEGMENT

The Group's Scrap Procurement and Processing and Steelmaking operations are the backbone of its vertical integration. The Steelmaking segment fulfils the strategic objective of supplying round steel billets to the Group's other two businesses, Pipe and Rail Products, and provides the following competitive advantages:

- Control and minimization of scrap purchase costs for the manufacture of finished products;
- Quality control and management at all key stages that determine the characteristics of the final product;
- Control and management of pollutant emissions;
- Ability to bring new products to market relatively quickly, including integrated solutions in the form of new steel grades and end-product manufacturing technologies, which contributes significantly to the strategic goals of the pipe and rail segments to produce high value-added products.

Supply of steel billets to the external market is not a strategic priority for the Group. Shipments are made in limited quantities to certain clients in Europe and Asia, depending on market conditions and production plans within the Group's pipe and rail segments.

The strategic objective in steel production is to prepare and build a long-term, sustainable structure for securing steel billets and scrap metal for the Group's vertical integration. This task gains particular significance in light of potential global scrap price increases amid the «green transition» trend in the global steel market.

The Ukrainian scrap market is currently experiencing a period of unpredictability due to the ongoing military operations, which is making it challenging to assess the

3 Rest of the World, ROW
4 Interpipe Group exports railway products to the markets of the following CIS countries: Azerbaijan, Moldova, Turkmenistan, Uzbekistan, Kazakhstan and the former CIS member Georgia.

long-term supply/demand balance for strategic planning purposes. Nonetheless, we recognize that scrap metal is a limited and strategically important resource for Ukraine's domestic steel industry in the future. Accordingly, Interpipe is considering expanding the number of its own facilities to independently meet production needs with an adequate supply of scrap metal.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STRATEGY AND CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Since 2021, Interpipe Group has been actively developing and implementing sustainable development approaches in its operations. Despite the challenges posed by Russia's military operation in Ukraine, we remain committed to implementing our ESG strategy.

The Interpipe Group is currently in the process of updating its strategies, objectives, and plans. The Group approves and implements measures that contribute to sustainable development without requiring significant financial resources. We consider both short-term (up to 12 months) and long-term (5-10 years) measures to reduce our negative impact on the economy, society, and the environment. The current list of elements of the Group's sustainable development strategy is shown in ***Picture 1.***

We are modernizing our business processes to ensure the Group's sustainable development, with a particular focus on climate change mitigation and adaptation, the use of materials and water resources, and other pertinent issues. Furthermore, the Group implements and improves its corporate culture and provides support to its employees and their families. Interpipe Group cooperates with local communities and government agencies, contributing to the implementation of sustainable development ideas.

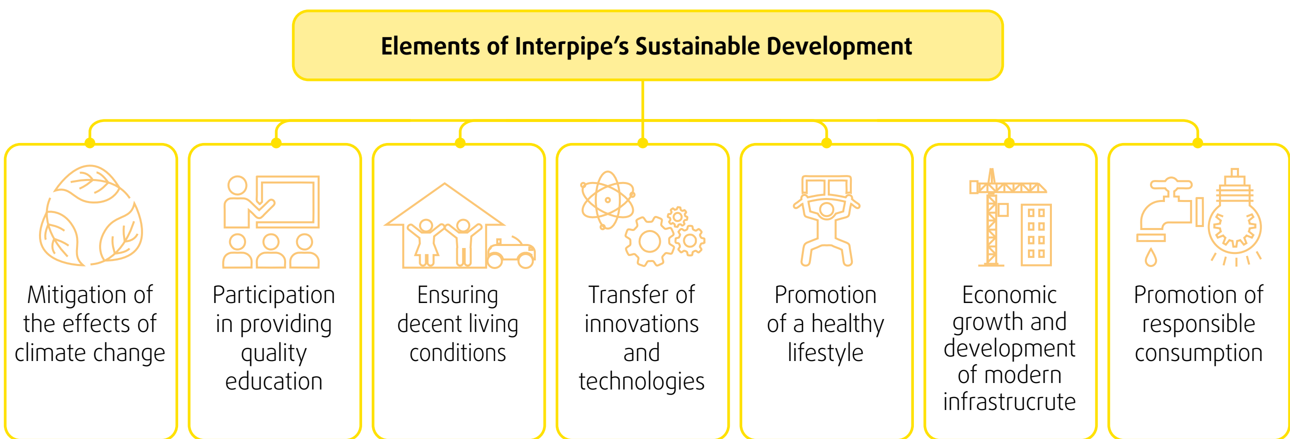
We assist businesses in reducing their greenhouse gas emissions and integrate such reductions across the Group. In 2023, Interpipe Group of companies initiated the development of a decarbonization strategy. Specifically, the Group identifies the primary drivers for reducing greenhouse gas emissions, monitors the dynamics of total and specific greenhouse gas emissions, and sets targets for 2030. Additionally, payments under the Border Carbon Adjustment Mechanism (CBAM) are calculated for the next 10 years. For further details on the Group's decarbonization strategy, please refer to the Air Emissions and Climate Change section.

With the aim of achieving climate neutrality by 2050, in line with European targets, the Group is reducing indirect greenhouse gas emissions from electricity consumption (Scope 2) by increasing the share of carbon-neutral and renewable energy. In addition, the Group has an innovative electric steel smelting complex, Dneprosteel LLC, using electric furnaces to produce steel, which is the most realistic way to reduce carbon emissions in the industry. The plant also has filters for water purification and has minimal emissions of harmful substances into the air, using modern dust cleaning systems.

Interpipe Group places a high value on participation in external initiatives. In particular, Interpipe joined the UN Global Compact in 2009, but temporarily ceased reporting in 2014. In 2021, we resumed our active participation in this initiative. The Group prepares and publishes an annual Progress Communication and regularly participates in UN Global Compact events, including conferences and open discussions on anti-corruption policy, the environment, and post-war reconstruction in Ukraine. Additionally, we received a bronze medal in the EcoVadis rating, which recognizes the successful integration of sustainable development principles into the Group's business processes.

In 2022, Interpipe Group participated in the Young SDG Innovators Accelerator program to develop a corporate sustainability project. In 2023, we became a signatory of the Ukraine Business Compact Principles, committing to contribute to the post-war reconstruction of Ukraine based on the principles of sustainable development.

PICTURE 1. **Elements of Interpipe's Sustainable Development Strategy**



The activities of Interpipe Group are aligned with the tenets set forth in the UN Global Compact Principles. The following examples illustrate the manner in which Interpipe's strategic objectives for responsible business operations are aligned with the UN Sustainable Development Goals (SDGs).

8 DECENT WORK AND ECONOMIC GROWTH	Despite the challenging circumstances of the current military situation, Interpipe Group is dedicated to driving economic growth in the country, particularly through enhanced sales in the European market. In 2023, the company transferred UAH 4.4 billion to the budgets of all levels. At the end of the reporting year, the Group provided almost 9,000 jobs, and is committed to the well-being of each employee, as well as to the principles of equality and diversity. We act in accordance with the established Code of Ethics and encourage the professional development of each individual.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Interpipe Group promotes the development of green metallurgy, constantly upgrading its production sites and evaluating new approaches to industrial processes. The Group is proactively integrating digital automation into its operations, including improvements in production scheduling to minimize equipment downtime, equipment maintenance forecasting, implementation of a unified financial system, and other initiatives.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	We are committed to supporting environmental protection measures across our entire value chain, from our own operations to those of our suppliers and customers. Our approach encompasses environmental impact monitoring, waste management, local pollution reduction, the rational use of resources, and the reduction of greenhouse gas emissions.
13 CLIMATE ACTION	Interpipe is aware of the importance of the environmental impact of its operations and adheres to high environmental standards in its enterprises. From 2023 we have implemented eco-innovative projects (energy efficiency improvement, Dneprosteel LLC complex). In accordance with European targets, Interpipe is developing plans to reduce its greenhouse gas emissions. The Group plans to achieve carbon neutrality by 2050.
3 GOOD HEALTH AND WELL-BEING	We continuously invest in the safety of our production sites and the improvement of working conditions (repair and modernization of equipment and tools, maintenance of the optimum temperature in the workplace, etc.). We require strict compliance with safety rules in the company, strive to reduce risks and keep records of injuries. In 2023, the amount of investment in occupational health and safety amounted to UAH 89.7 million. Interpipe Group has its own medical centre at the disposal of all our employees.
11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS	Special attention is paid to the support of local communities and employees of Interpipe Group during the war. Interpipe helps internally displaced persons, mobilized employees and demobilized veterans. The Group actively works with partners, NGOs and other stakeholders to identify and disseminate best practices to ensure sustainable community development. Interpipe has a Sustainable Suppliers Club that promotes the growth of Ukrainian suppliers in understanding the principles of sustainable development. In addition, the Group has a Sustainable Alert Line and provides monthly updates on changes in ESG policies and approaches, as well as information on ESG best practices in Ukraine and globally.
4 QUALITY EDUCATION	Interpipe Group creates conditions for the personal and professional development of its employees. We offer a number of opportunities for employees to pursue higher education and other forms of learning. In addition, the Group cooperates with local educational institutions and offers internships in production and at the head office. We invest annually in upgrading training equipment, opening workrooms and establishing mechatronics labs to encourage young people to pursue technical careers.

In 2024, we will continue to contribute to the Sustainable Development Goals. Looking ahead, we intend to address challenges related to climate change, energy efficiency and circular economy in light of the potential impact of Russia's military operation in Ukraine. In addition, the Interpipe Group is committed to promoting legislative innovations in the field of sustainable development, including the EU Corporate Sustainability Reporting Directive[5]

5 EU Corporate Sustainability Reporting Directive (CSRD), ***https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464***

BUSINESS PROFILE AND KEY SEGMENTS

BUSINESS MANAGEMENT APPROACH OF INTERPIPE GROUP OF COMPANIES

PRODUCT QUALITY AND CONSUMER PROTECTION

The quality management and labelling of Interpipe Group's products is based on compliance with international and industry standards, current legislation, and the Group's internal regulations. The health and safety of our customers is a fundamental aspect of our internal procedures and is taken into account when identifying risks and planning measures to minimize them. As part of our commitment to our customers, we support their efforts to improve safety. Our primary goal is to prevent incidents, reduce the probability of their occurrence, mitigate their impact, and contain them with the least possible consequences.

Interpipe Group regards product quality management as a strategic priority. Our goal is to become the market leader by continuously improving our processes. We identify improvement priorities based on risk assessment to avoid negative consequences and on the identification and exploitation of development opportunities.

Each company within Interpipe Group has its own quality policy, which defines the main tasks of the enterprise in this area. The Group is committed to ensuring the production of superior quality products by adhering to established standards and procedures in order to meet customer needs and maintain brand confidence.

The quality management and labelling system of the Interpipe Group production companies is based on the highest international standards. The Group's products comply with recognized international standards such as IRIS, EN, API, DIN and others. This approach underlines our responsibility towards our customers' expectations regarding the quality of our products. For example, our compliance with the international API standard allows us to apply the API monogram to our pipe products (API 5CT, API 5L and API Q1), providing customers with assurance of the reliability of the Group's products.

The quality control of products and their labelling is the responsibility of the Quality Services of each company within Interpipe Group. These services regularly carry out certification, recertification and surveillance audits to ensure compliance with international standards and the Group's internal requirements.

All product quality certificates are available for viewing on Interpipe Group's official website at

Interpipe Group employs a variety of methods to assess the quality of its marketing and labelling management system One such method is a customer satisfaction survey. We also use a range of methods to evaluate and continuously improve our quality management system in accordance with international industry standards.

The Consumer Health and Safety, Marketing, Labelling and Product Quality Complaint and Suggestion Mechanism provides an opportunity for stakeholders to communicate their comments to Group representatives through an agreed process. Alternatively, interested parties may contact the Group using the details provided on the Group's website at

Customers can address their complaints and suggestions to the Group's sales personnel, namely sales managers and technical sales support. In the event of any discrepancies or complaints about the quality of the products, customers may file a complaint against specific order items.

In 2023, no violations of mandatory standards and requirements regarding the impact of the Group's products on consumer health and safety were identified. The Group has not received any complaints regarding product safety and has not been subject to any fines for violations of product safety and quality legislation.

In 2023, the Group did not identify any instances of non-compliance with regulatory and voluntary (own) requirements and standards pertaining to marketing communications, product information, and labelling. No complaints were received regarding marketing activities.

We engage with stakeholders on quality, labelling, and marketing issues through a variety of channels. In particular, these issues are discussed at industry conferences and exhibitions in Ukraine and abroad. Furthermore, the Group's responsible managers respond to customer and partner inquiries as they arise.

INFORMATION SECURITY AND CONFIDENTIALITY

Interpipe Group is committed to complying with all applicable legal requirements in the regions in which it operates. To ensure the security of data belonging to each company within Interpipe Group, its employees, customers, and partners, a personal data protection and information security policy has been implemented. In 2023, Interpipe Group approved a new policy on personal data protection and information security

This document outlines our commitment to maintaining the confidentiality of information, protecting it from loss or unauthorized access, and ensuring that it is destroyed when no longer needed.

We comply with external standards and regulations governing confidentiality, data protection, and information security:

- The General Data Protection Regulation (GDPR), which sets standards for the processing and protection of personal data of citizens of the European Union.
- ISO 27001, which sets out requirements for information security management systems that help organizations ensure the confidentiality, integrity, and availability of information.
- CISA (Certified Information Systems Auditor), a certification that defines the professional knowledge and skills of information systems auditors. It helps to ensure effective management and control of information security in an organization.

We also implement internal documents developed in accordance with ISO 27001 and CISA standards. Where a particular area is not covered by internal documents, we follow ISO standards. The Information Technology Service, the Information Security Service and the Economic Security Service are responsible for managing privacy and information security issues.

The Group's data management system quality assessment mechanism includes both internal and external audits to assess data leakage risks. During the reporting period, we implemented a cyber-risk and cyber threat management system. This has enabled us to identify, prioritize by threat level, and remediate problem areas and vulnerabilities.

In assessing information security and privacy risks, Interpipe Group classifies them into categories A to C based on their potential business impact, defined as the estimated loss resulting from an incident. The estimated loss from category C risks is up to USD 1 thousand, from category B it is between USD 1 thousand and USD 10 thousand, and from category A it is more than USD 31 mln. The overwhelming majority of potential incidents are classified as category C risks.

Our company conducts monthly audits and maintains open communication with customers, IT solution providers, and other partners to effectively detect and respond to data breaches in a timely manner, thereby ensuring a high level of data security.

In 2023, Interpipe Group implemented several special events, projects and programs in the field of information security.

- Regular troubleshooting activities were performed, including the replacement or updating of the antivirus system and the resolution of any hardware and software vulnerabilities.
- During the reporting period, information security specialists conducted 11 webinars for more than 500 employees on the safe use of Office 365 products, as well as training on information security policies and procedures.
- Information Security and Information Technology Services technical specialists provided active support for the operation of anti-phishing systems, with the aim of enhancing their effectiveness in light of the evolving nature of phishing mechanisms.
- The establishment of a backup remote data centre significantly improved the reliability of the systems, ensuring the capability to resume operations in the event of unforeseen circumstances.
- An improved certification centre system was introduced and successfully implemented.
- The implemented system of centralized collection of key events in IT systems enabled effective monitoring and analysis of events to identify potential threats and incidents.

- A mobile device management system was implemented to ensure the security and control of corporate data on employee devices.

The implementation of these measures has resulted in an increase in information security, a reduction in the probability of incidents, and an overall improvement in data security.

In 2022 and 2023, Interpipe Group faced the challenge of power outages due to Russian shelling of Ukraine's energy infrastructure. However, thanks to effective risk mitigation measures and the work of the IT department, we were able to ensure data integrity and reliable access to confidential information for our employees. Another challenge in 2023 was the implementation of a backup IT infrastructure scheme in a remote data centre and its integration with information security requirements.

We manage negative impacts and risks related to customer information security, privacy, and cybersecurity:

- Each employee and client signs a consent form for the processing of personal data and a confidentiality agreement;
- We use password policies, access restrictions, and certificates with limited validity to strengthen the security of access to confidential information;
- We apply data backup and recovery procedures to ensure the integrity and availability of information;
- Implement anti-phishing measures, including projects and programs to prevent users from receiving phishing emails.

Our future objectives in the area of information security include implementing and adapting risk prevention systems, conducting training, developing policies, and conducting internal and external audits.

The mechanism for submitting complaints and suggestions regarding privacy and information security includes a dedicated hotline and email address antifraud@interpipe.biz

These channels are available for the prompt reporting of data breaches and the filing of privacy complaints.

The specialized hotline of the Information Security Service and the Information Technology Service is +380 (56) 747-40-74, +380 (67) 720-48-00

In 2023, the Group did not receive any complaints about breaches of confidentiality or loss of customer data, and no cases of leakage, theft or loss of customer data were identified

INTERPIPE GROUP CAPITAL INVESTMENTS

The Interpipe Group Investment Policy represents the regulatory document governing the organization's overarching approach to investment. The policy outlines the criteria for categorizing investment projects, the procedures for project implementation, and the investment decision-making process. The Group's investment objectives are as follows:

- To facilitate value growth in Interpipe's steelmaking, pipe, and railway businesses.
- To guarantee that equipment and technologies align with planned sales volumes.
- To secure a competitive advantage in the pipe, wheel, and steel industries.
- To promote enhancements in the quality of products for pipes, railways, and steel billets.
- To guarantee the growth of employee productivity.

The investment program is developed as part of the overarching strategic plan. The document includes project lists, decision and implementation timelines, and estimates of capital expenditure and project payback. The program is designed to stimulate growth in the value of Interpipe Group's business and is subject to annual review as part of strategic planning for the next five years.

The development of a business plan is a mandatory step for large investment projects. This document includes a market forecast and a competitive analysis of the product, an overview of the best production technologies within the industry, a model of the prospective production flow with a generalized equipment layout, a project budget, a project implementation schedule, etc. Alternative technology solutions are also evaluated and project implementation risk lists and contingency plans are developed.

The classification of investment projects by investment objective includes six main categories:

- Projects designed to maintain existing sales volumes and meet specification requirements.
- Projects designed to maintain sales volumes by improving the manufacturability of the production process and equipment.
- Initiatives to improve safety and environmental practices.
- Projects aimed at reducing costs.
- Projects aimed at expanding production capacity.
- Projects aimed at introducing new products (changing the product mix).

In total, the investment program consists of ten major projects, most of which fall into the category of development and expansion of production capacities. The current list includes projects at Interpipe Niko Tube LLC and Interpipe NTRP PJSC. The program also includes projects aimed at introducing new products, maintaining current sales volumes by ensuring compliance with specifications, and a project aimed at adapting the industrial process to external military conditions.

In connection with Russia's full-scale military operation in Ukraine, the implementation of the 2022 investment program was suspended and subsequently adjusted to the new circumstances. Part of the budget earmarked for the implementation of new investment projects was used to repair the Group's enterprises damaged by shelling and to provide financial support to the Ukrainian military and people affected by the war.

This trend continued in 2023. In particular, the funds were used to keep the company's industrial equipment, servers and offices running in the face of the power shortage. The strategic projects of Interpipe Group in the pipe and railway business were resumed.

One of the most significant business decisions made in 2023 was the decision to resume construction of a new thermal power plant at the Nikopol site of Interpipe Niko Tube LLC. The new heat treatment line will allow the plant to complete the production cycle for energy pipes and expand production of premium tubular products in accordance with customer requirements and specifications.

This investment project was developed at the end of 2020 with the assistance of the Kharkiv-based research institute Ukrgiprocement Scientific and Research Institute LLC. The Italian company Danieli is supplying the thermal department with a range of equipment, including quenching and tempering furnaces, block cooling towers, and furnace equipment. Construction work was completed in 2021, and the necessary metal structures were prepared for installation. However, the project was placed on hold due to the commencement of a full-scale military operation.

By the end of the year, preparation of the foundations had been completed and installation of the actual furnaces and related equipment had begun. Interpipe plans to commission the thermal section of TRS-2 in September 2024, with full production capacity expected by the end of the year.

TABLE 1. LIST OF MAJOR PROJECTS INCLUDED IN THE CURRENT INVESTMENT PROGRAM OF INTERPIPE GROUP

Project name	Project purpose	CapEx	Status
INTERPIPE NIKO TUBE LLC PROJECTS			
Pipe heat treatment line in TRS No. 2	Construction of a pipe heat treatment facility to produce high-margin, market-driven pipes.	**USD 37.7 MLN**	In progress
Replacement of the piercing mill working cells on the inbound and outbound sides in TRS No. 2	Replacement of equipment to eliminate unpredictable emergency stoppages and improve the accuracy of the wall thickness of the pipes produced.	**USD 16.8 MLN**	Detailed engineering in development
Purchase of a pipe end forming press	Construction of a new pipe end forming press to ensure the production of pipes with upset ends and replacement of current equipment to maintain production volumes.	**USD 4.3 MLN**	In progress
Purchase of an automated line for hydraulic testing of pipes	Ensuring that customer requirements and standards for 140-340mm casing hydraulic testing and drifting are met.	**USD 6.1 MLN**	In progress
Water recirculation system in TRS No. 2	Organization of water recycling cycle in TRS No. 2 due to the accident at Kakhovka HPP	**USD 0.9 MLN**	In progress
PROJECTS OF INTERPIPE NTRP PJSC			
Increased capacity for full profile wheel machining	Generating additional margin income by increasing the machining capacity of wheels for export.	**USD 5.3 MLN**	The project is to be restarted
Modernisation of the heat treatment unit in the wheel-rolling shop (stage 1 - engineering)	The project involves the development of basic engineering for the construction of a heating furnace, quenching machines, annealing furnace and water treatment section to determine the feasibility of building a heat treatment plant.	**USD 0.3 MLN**	First engineering milestone of the project underway
Modernisation of the heat treatment unit in the wheel-rolling shop (2nd milestone - main project)	Construction of a railway wheel heat treatment facility to produce high-margin, market-driven railway wheels.	**USD 40 MLN**	The implementation is planned to start after the completion of the 1st stage of engineering
PROJECTS OF DNEPROSTEEL LLC»			
Increasing the capacity of CCM-1	Increase of CCM-1 billet production capacity in line with market requirements.	**USD 5.2 MLN**	There are currently no plans to renew the project
PROJECTS OF INTERPIPE DNEPROVTORMET JSC			
Modernisation of the reloader fleet	Purchase of new scrap metal loaders to replace obsolete ones in order to maintain scrap metal procurement volumes.	**USD 1.1 MLN**	Partially restored, phased implementation continues

Interpipe Group of Companies continues to implement and develop new investment projects to maintain the stability of its production processes and expand its product range.

Creating a safe and efficient production environment and maintaining constant communication with partners and customers is the key to business development.

PRODUCTION SEGMENT: STEEL

THE SCRAP METAL COLLECTION AND STEEL PRODUCTION BUSINESS SEGMENTS FORM THE BASIS OF THE GROUP'S VERTICAL INTEGRATION

Interpipe Group is the only producer of steel pipes and railway products in Ukraine with a vertically integrated business structure. The Group's vertical integration is based on an efficiently structured steel (billet) production chain, which includes the facilities of Interpipe Dneprovtormet JSC, which procures and processes secondary metal raw materials (scrap metal), and a modern electric steel smelting complex at the Dneprosteel LLC complex. Our electric steel smelting shop produces low-carbon steel billets from the collected scrap for further production of finished products.

The Group's own steelmaking enterprises afford it greater control over steel quality. Moreover, Interpipe has the capability to independently regulate the environmental impact of its production processes and the carbon footprint of its finished pipes and railway products. The competitive advantages of our products have attracted global buyers to our green rolled products.

THE ONLY METALLURGICAL COMPLEX IN UKRAINE WITH A LOW CARBON FOOTPRINT

Interpipe Steel is the largest electric steel smelting complex for the production of round steel billets in Eastern Europe, with an installed production capacity of 1.32 million tonnes of steel per year. The plant, which opened in 2012, remains the flagship of green metallurgy in Ukraine.

The investment fund for the construction of the plant, related enterprises, and infrastructure totaled USD 31 mln. This investment represents the largest commitment to a domestic production asset in 12 years. The electric steel-smelting complex at Interpipe Steel was designed and constructed on a turnkey basis by Danieli, an Italian supplier of equipment for steel mills. The project meets the exacting standards set by European regulations for environmental protection, as verified by an audit conducted by the German company Fichtner.

Following the launch of the new electric steel-melting complex, Interpipe ceased production at its open-hearth facility, which was deemed to be inefficient and environmentally unsound. This has enabled a substantial reduction in greenhouse gas emissions, particularly CO2, and a significant decrease in natural gas consumption during steelmaking, by a factor of eight. The current direct carbon emissions (Scope 1) are below 230 kg per ton of steel, representing one of the lowest current carbon intensities in the global steel industry.

In addition to reducing greenhouse gas emissions, the complex's environmental performance has been enhanced by the implementation of a highly efficient dust scrubbing system and a fully closed water recycling system that eliminates any discharge into the Dnipro River and other water bodies. The use of scrap metal for steel production avoids additional pollutant emissions and eliminates the need for iron ore and its associated costs.

A key element in the construction of the new steel smelting plant was the development of the necessary infrastructure, including the sourcing of key raw materials and the establishment of supply chains.

- Pichna Substation. To ensure the production of the required amount of electricity, the first 330 kV ultra-high voltage cable in Ukraine was built to connect Interpipe Steel to the Pichna Substation and Prydniprovska TPP. Horizontal directional drilling, protection and insulation technologies were used to lay the network under the existing railway tracks and the Samara River without any negative impact on the environment[1].

- Lime Factory. A lime factory with an Italian regenerative kiln was constructed in Dnipro. The facility has one of the lowest specific heat consumption rates among modern technologies for the production of high-quality lime for steelmaking. The plant is fully compliant with all lime requirements for the Group's steel production.

- Oxygen Plant. Steelmaking requires significant quantities of process gases, including oxygen, argon, and nitrogen. To meet the enterprise's needs, an oxygen plant was constructed in close proximity to the Interpipe Steel complex.

The electric steel-smelting complex has implemented an energy management system and an environmental management system in accordance with international standards ISO 50001:2018 and ISO 14001:2015. We are dedicated to continuous improvement in energy efficiency, energy savings, and environmental performance.

1 The Marzieiev Institute for Public Health (IPH) of the National Academy of Medical Sciences of Ukraine (formerly the Scientific-Research Institute (SRI) for General and Municipal Hygiene, Ministry of Public Health of Ukraine) issued a positive opinion on the environmental safety of the cable, ***http://interpipesteel.org/about/kabelna-l-n-ya-nadvisoko-naprugi***

SCRAP METAL PROCUREMENT AND PROCESSING

Interpipe Dneprovtormet JSC is the largest scrap collection and processing company in Ukraine. Its production capacity, together with the circulating scrap from its own steel production, fully covers Interpipe's steel production program of 1.32 million tonnes per year.

The Group's proprietary network of scrap collection and processing facilities provides effective control of scrap prices and a reliable supply chain. It also enables significant cost savings by reducing the amount of scrap purchased from third parties for Interpipe Steel's own production needs. Interpipe Vtormet employs a flexible approach to ensure its presence in all raw material supply channels, making it a key player in the scrap metal procurement market and allowing it to significantly influence the formation and functioning of this market.

The enterprise's processing sites feature a range of production and procurement areas, integrated scrap and waste metal processing facilities, and charge processing shops. The recycling enterprises at Interpipe Vtormet are equipped to accept ferrous scrap of any thickness and shape.

Interpipe Vtormet employs efficient mechanisms and technologies for the procurement and processing of raw materials, enabling us to meet the technical specifications for purity, dimensions, and chemical composition of the metal charge for Interpipe Steel's needs. Furthermore, Interpipe Vtormet provides customers with a comprehensive range of services for the assessment, dismantling, loading, and removal of scrap metal from their premises.

Our extensive network of sites with a well-developed transport infrastructure allows us to provide scrap suppliers with a personalized approach and competitive pricing. As of 2023, our scrap metal procurement business has a presence in ten sites across seven regions of Ukraine. Our locations include Kyiv, Vinnytsia, Odesa, Dnipro, Kharkiv, Zhytomyr, and Poltava. In 2023, three regional offices were temporarily closed due to safety concerns (two in Kharkiv and one in Nikopol). Another procurement site is scheduled to open in the Cherkasy region in 2024.

PRODUCTION QUALITY CONTROL AND STEEL CERTIFICATION

Interpipe Steel supplies round steel billets for the production of pipe and railway products to both domestic and international markets.

The enterprise has implemented comprehensive quality control procedures and maintains valid certificates, which are available for review at

We conduct regular, scheduled audits of the quality control systems in accordance with the requirements of each certification.

ANALYSIS OF THE SCRAP METAL MARKET

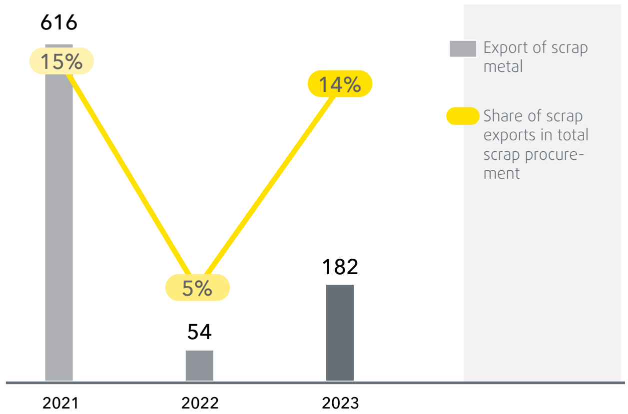
The Ukrainian scrap metal market remained tense in 2023 due to limited volumes of material. This was caused by a reduction in domestic scrap production resulting from the full-scale military operation and significant exports.

In the previous year, the Ukrainian market saw a diverse range of ferrous scrap. There was a 28% year-on-year increase in scrap procurement, reaching 1,277 million tonnes, while scrap supplies to steelmakers totaled 1,034 million tonnes, representing a 15% year-on-year increase[2]. Concurrently, scrap exports in 2023 increased 3.4 times compared to 2022, reaching 182.48 million tonnes[3]. Due to the current preferential tariff of €3 per tonne, exports were primarily directed to the EU, particularly Poland (88%), with additional shipments to end users in other countries, including Turkey, as in 2022.

As scrap is a limited secondary resource, the volatility of its availability in the required quantities affects the supply of volumes to steel producers and prices on the domestic market. In the absence of a decision to ban or restrict the export of raw materials, the risks to Interpipe's production remain.

PICTURE 2.

Scrap metal exports from Ukraine in 2021-2023, thousand tonnes[4]



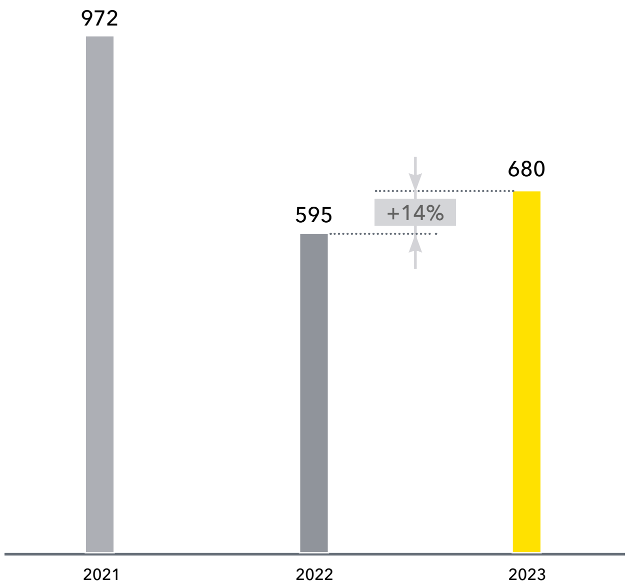
PRODUCTION FIGURES FOR THE SCRAP PROCESSING AND STEELMAKING SEGMENTS IN 2023

The main task of the Steel Division is to supply steel billets to the other companies within Interpipe Group. This is in line with the Group's overall strategy of maximizing self-sufficiency in raw materials (scrap) and semi-finished products (round steel billets) in the production chain of finished pipe and railway products.

Supplying steel billets to foreign markets is not a strategic objective of this segment. Nevertheless, Interpipe is present in the European and Middle Eastern billet markets. In 2023, out of a total steel production of 680 kt, 34 kt were sold to third parties, representing 5% of the total. Overall, the Group's steel production in 2023 increased by 14% compared to 2022, mainly due to a more stable energy and raw material supply situation. At the same time, total steel production in Ukraine decreased by 0.6% to 6.23 million tonnes in 2023.

PICTURE 3.

Production of steel billet by Interpipe Group in 2021-2023, thousand tonnes



2 According to the association UAVtormet
3 According to the State Migration Service of Ukraine (***https://customs.gov.ua***)
4 According to the State Migration Service of Ukraine (***https://customs.gov.ua***)

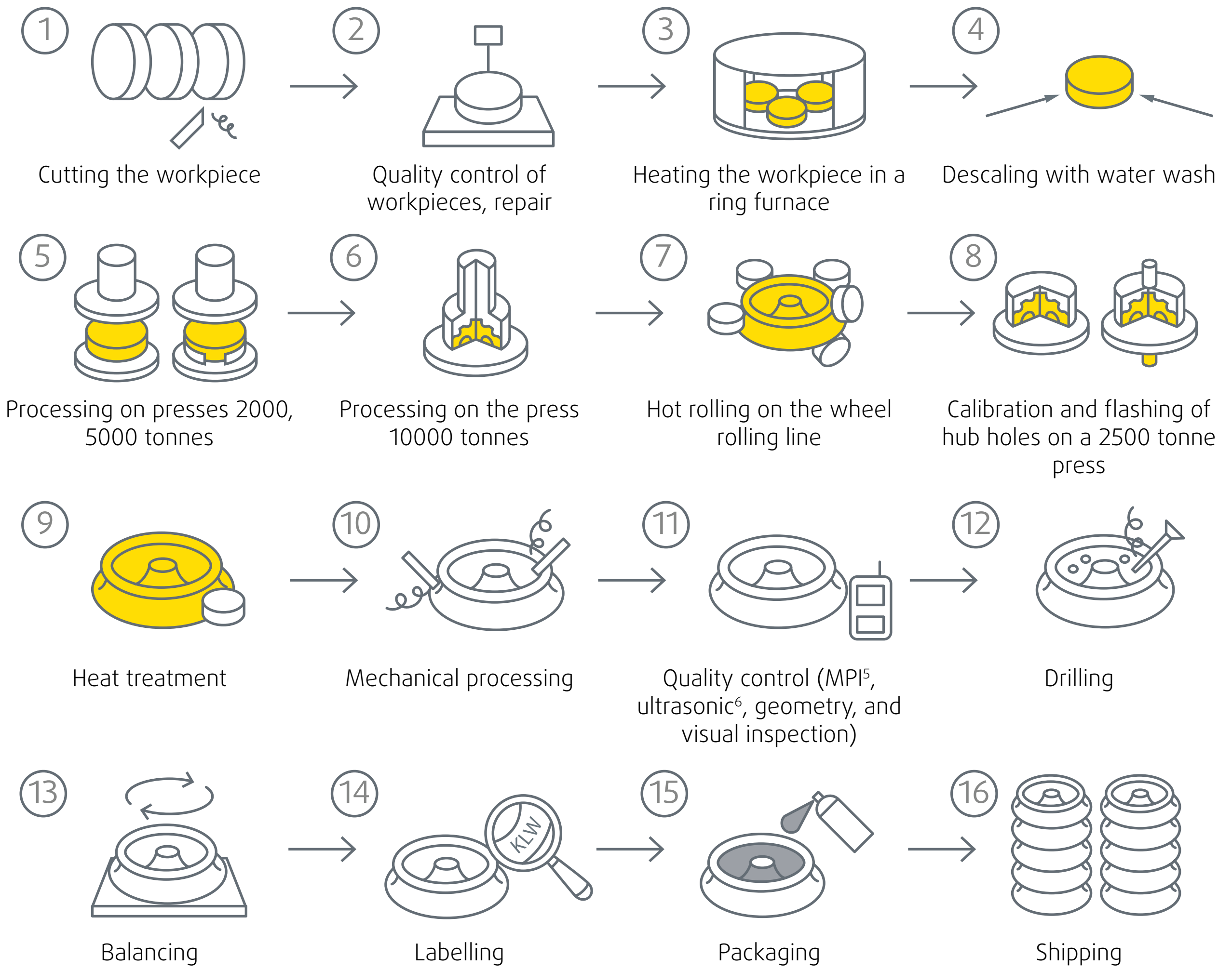
PRODUCTION SEGMENT: WHEELS

Another significant product of the Group is railway products manufactured by Interpipe Nizhnedneprovsky Tube Rolling Plant PJSC (Interpipe NTRP). The enterprise has been manufacturing railway wheels for over 80 years. In 1996, Interpipe Group received the TÜV certificate, which attests to the superior quality of our railway products and their competitive edge in the global market. The railway division currently offers customers more than 250 types of railway wheels for long-distance wagons, passenger and light rail applications. Additionally, the product range includes approximately 80 types of railway bandages for locomotives, subways and trams. Since 2020, we have also been actively supplying our railway products to the European high-speed train market.

The production process for railway wheels includes 16 stages:

PICTURE 4.

Scheme of the technological process of railway wheels production



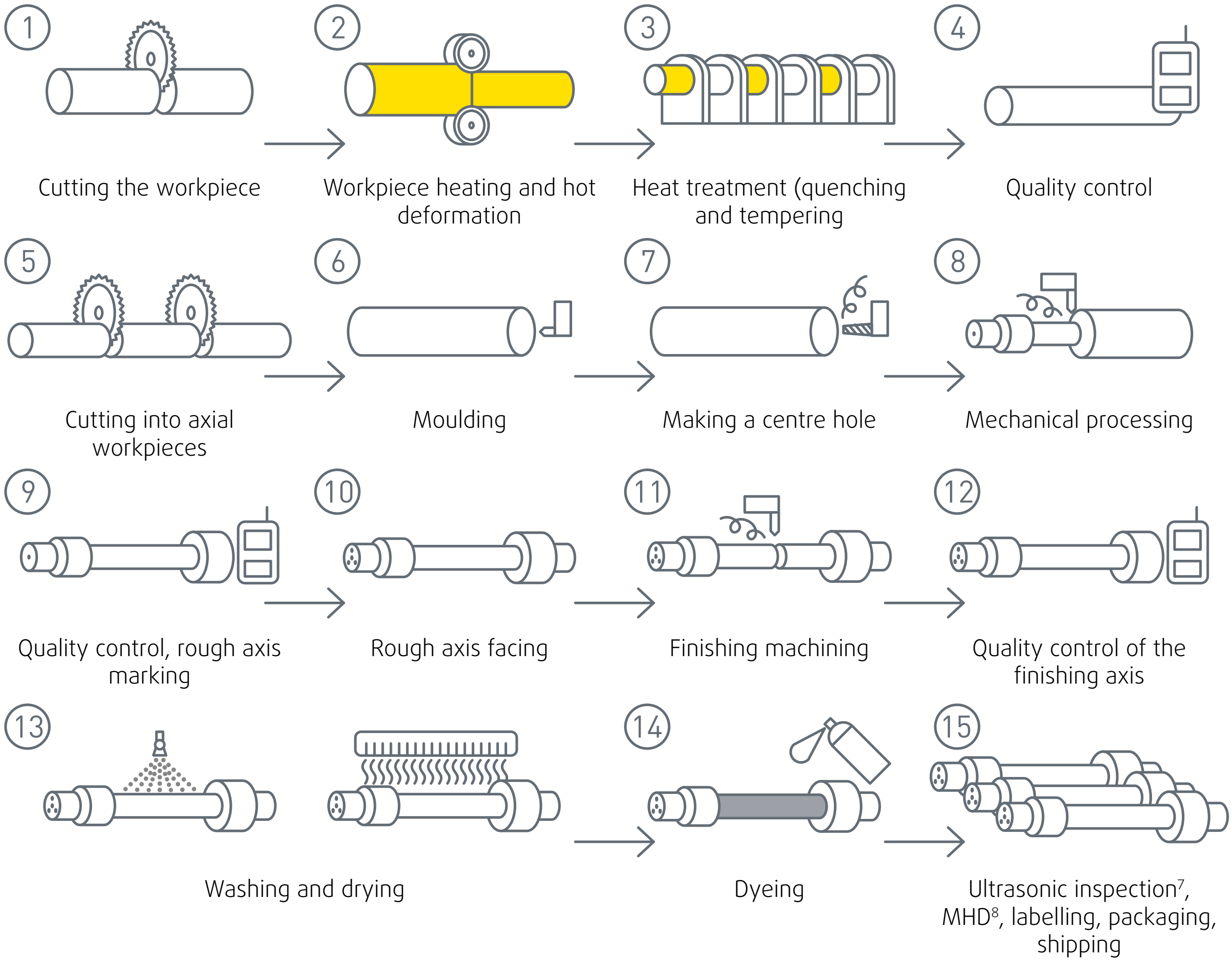
Since the beginning of 2015, Interpipe NTRP PJSC has started manufacturing railway axles and installed a wheel set assembly line. This step is part of the Group's strategy to increase the share of high value-added products. We can now offer our customers finished wheel sets that can be used to complete wagons.

5 Magnetic particle inspection
6 Ultrasonic testing

The stages of railway axle production and subsequent wheel set assembly are shown in the diagrams below.

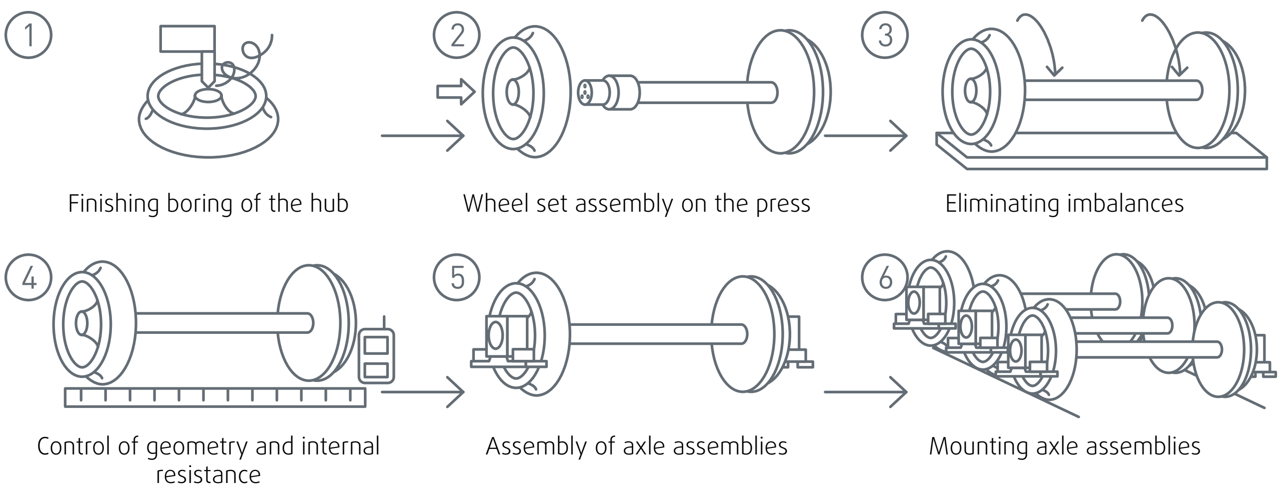
PICTURE 5.

Process flow diagram of railway axle production



PICTURE 6.

Diagram of the technological process of wheel set production



7 Ultrasonic testing
8 Magnetic particle inspection

Interpipe Group's production processes include comprehensive quality control at every stage of wheel and axle manufacture using ultrasonic and magnetic particle methods, as well as checking the geometric dimensions and internal resistance of wheel sets. This entire process guarantees high quality products that meet customer requirements. Every year, Interpipe Group of companies is certified by domestic and international bodies. In 2023, the Group received confirmation of certification from foreign institutions that enable it to sell its products to the markets of Europe, America and the Middle East. In particular, we have passed certification audits from international organisations such as AAR, TTCI, DQS, VUD, Sconrail, TDT, confirming the high quality and safety standards of our products. In recent years, the Ultimate line of products, which is characterised by greater wear resistance, has gained recognition among customers. This range of low stress wheels and wheel sets has been developed by the Interpipe Group's R&D department to meet the highest mechanical and thermo-mechanical braking and noise requirements[9].

The Interpipe Group has a separate brand for export sales - our wheels are known abroad under the KLW brand. We have been in the industry for over 30 years and our products are well established in the European freight wagon market. Railway's strategic priorities include expanding its product range and capabilities in the passenger segment. The Group's customers include wagon building and repair enterprises that service the wagon fleet, as well as public and private railway operators.

Demand for railway wheels globally remains stable due to regular repairs and the ongoing expansion of railway rolling stock. Thanks to a well-established system and flexibility in the operational management of production enterprises, the Interpipe Group can quickly adapt to market requirements and meet peak customer demand.

ANALYSIS OF THE RAILWAY PRODUCTS MARKET

The Interpipe Group accounts for up to 9% of the world's rail production capacity, which currently stands at over 7.5 million wpa[10]. At the same time, the global wheels market is estimated at 5.5 million tonnes per annum, which indicates a significant oversupply and a high level of competition among manufacturers. Interpipe Group is present in more than 35 countries, with the main markets being Europe (including Ukraine) and America. The main global competitors are Bonatrans, Lucchini, Valdunes, Maanshan, Taiyuan and Kardemir. We believe that the Group's position in the Ukrainian and European wheel industry remains strong. According to customs data, our share of wheel products supplied to European railways was 56%, down 1% on the previous year, but the volume supplied increased significantly by 26%.

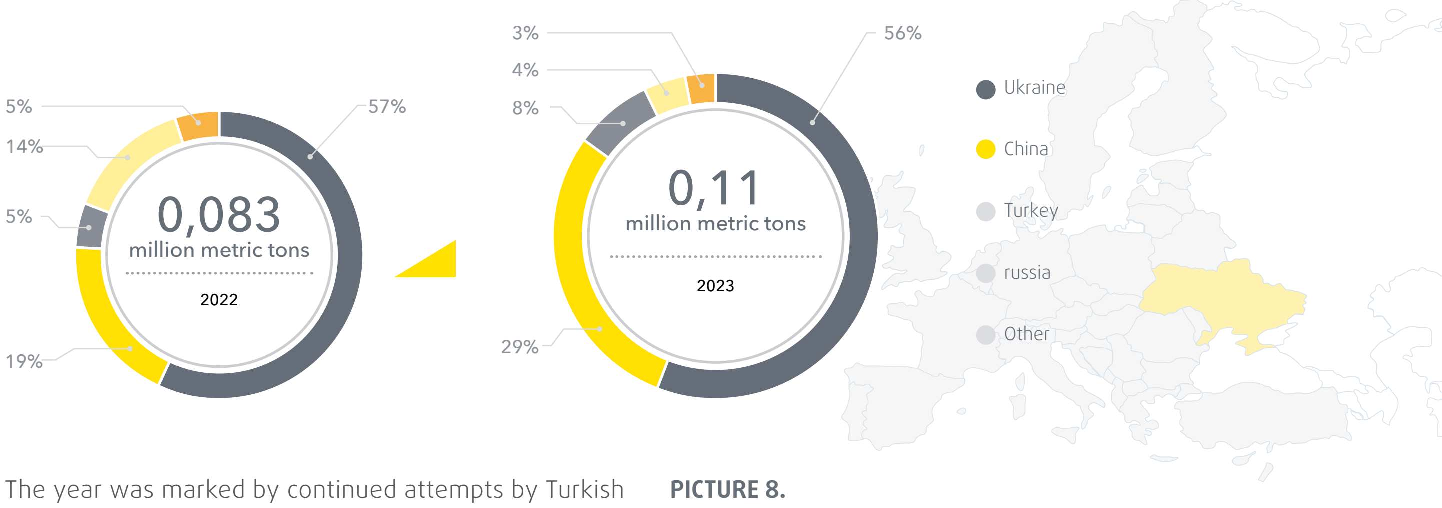
The markets of North and South America and the Middle East also remain a priority for diversification and sales growth. The geographical distribution of wheel sales has not changed significantly compared to the previous year. We continue to focus on improving the competitiveness of Interpipe's products and increasing geographic diversification. Thus, in 2023, sales to the Middle East, India, and North America increased, even though logistics in remote markets remain significantly complicated due to the war.

In 2023, Europe remained the main market for our railway products, accounting for 60 thousand tonnes of sales, or 63% of the division's total annual sales. We shipped the most railway products to customers in Bulgaria, Slovakia, Germany and Poland. By product, wheels for the truck fleet (58% of total sales in 2023) and finished wheelsets (33%, respectively) were in demand in the European market. Another 5% of Interpipe Group's railway division's European sales came from wheels for passenger transport.

9 Learn more about the Ultimate line at ***https://interpipe.biz/media/newsone/345***
10 Wpa - wheels per annum.

PICTURE 7

Imports of railway products to European countries from outside the EU in 2022-2023, %.

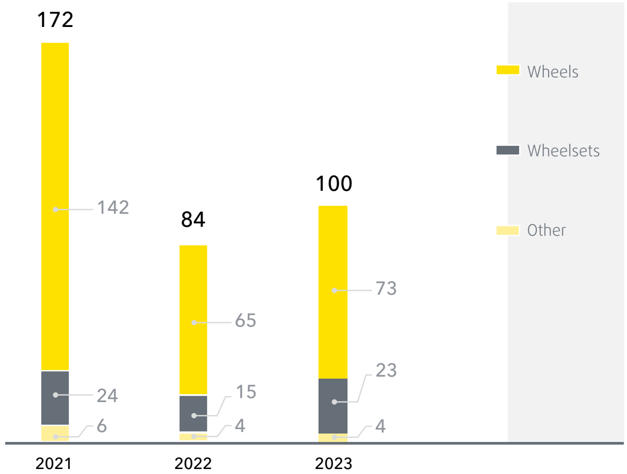


The year was marked by continued attempts by Turkish and Chinese producers to enter the market due to difficulties in supplying product from Ukraine and Russia. Nevertheless, we have managed to maintain our market share, partly by effectively meeting our commitments to customers and partly because of the general trend towards increased consumption of imported products by European railways. Having established ourselves in the European freight segment, we are continuing to improve product specifications to take a leading position in the passenger segment, which is expected to see the largest growth in the wagon fleet in the near future.

The domestic market remains important for us, where Interpipe Group is a leading supplier of wheel products. In 2023, the Ukrainian market accounted for 16% of wheel products sold. With sales picking up in the first half, we sold 15,000 tonnes of railway wheels to Ukrainian customers. At the same time, the annual decline in sales in the domestic market was 7% compared to 2022.

PICTURE 8.

Dynamics of railway products production volumes in 2021-2023, thousand tonnes



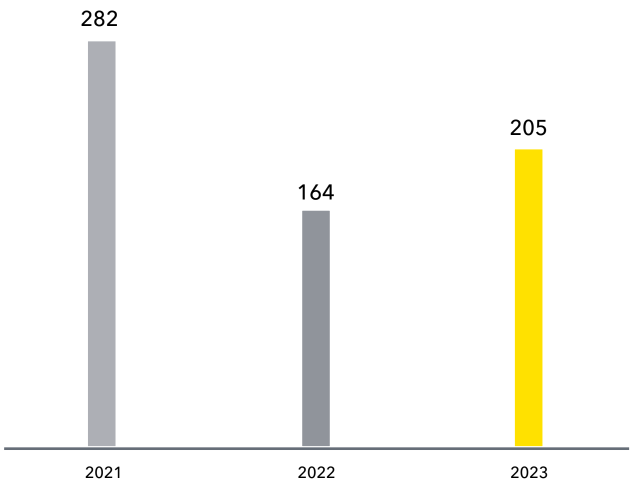
RESULTS OF THE RAILWAY BUSINESS SEGMENT IN 2023

Overall, the railway segment increased its revenue by 24% to USD205 million in the reporting year. This equates to 21% of the Group's total revenue. In 2022, these figures amounted to USD164 million. and 17% of total revenue, respectively. Logistics remained the main challenge in the wheel market in 2023.

In 2023, sales of Interpipe's railway products increased by 9% year-on-year to 95 thousand tonnes. The main sales region was Europe, accounting for over 63% of total sales (60 thousand tonnes). Among the product groups, wheels and wheelsets account for the largest volumes, with 73% (69 thousand tonnes) and 23% (22 thousand tonnes) respectively.

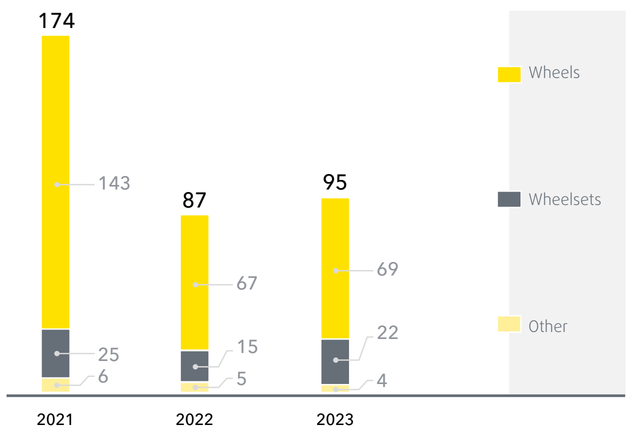
PICTURE 9.

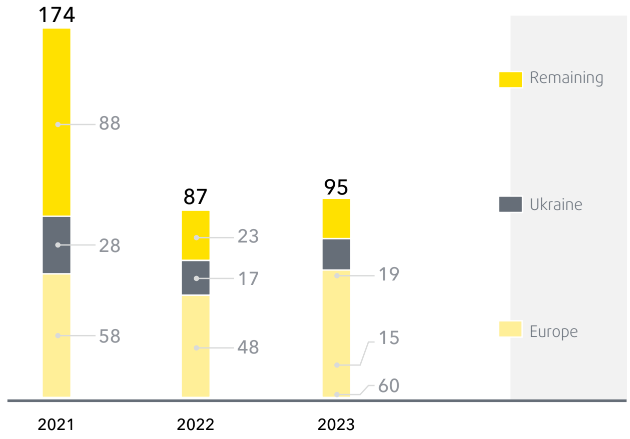
Revenue dynamics of the railway division in 2021-2023, USD mln



PICTURE 10.

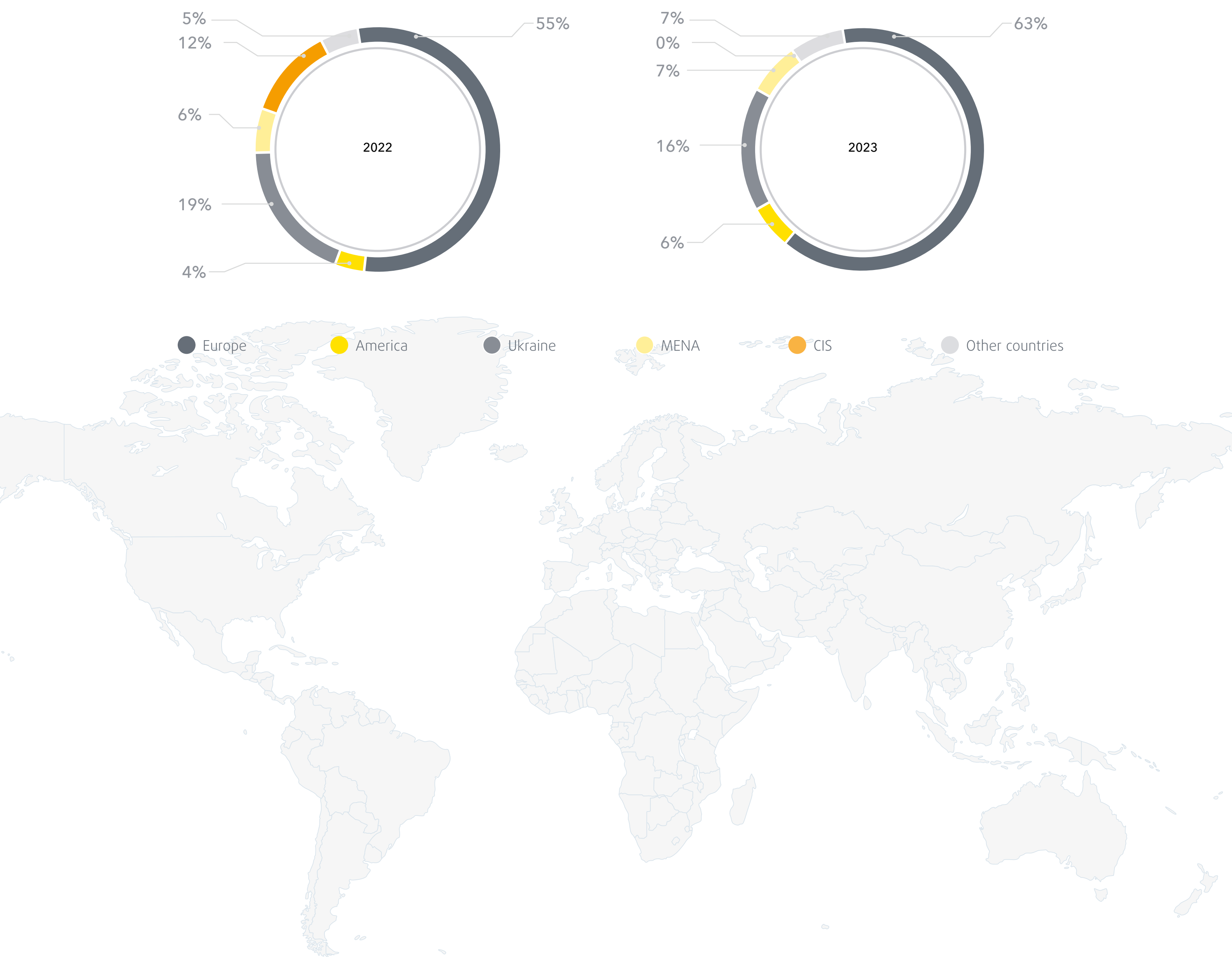
Sales of Interpipe railway products in 2021-2023 (by product type and region), thousand tonnes





PICTURE 11.

Geographical distribution of sales of railway products in 2022-2023



PRODUCTION SEGMENT: PIPES

The production of steel tubular products is one of the Group's three main business areas. The Group's pipe division produces and sells steel pipe products, including seamless pipes (pipelines, tubing, casing, cold-formed pipes, boiler pipes, bearing pipes, etc.) and welded pipes (small diameter, medium section and shaped pipes). Seamless pipes are represented by the pipes of energy sector (OCTG - Oil Country Tubular Goods), line pipes for construction, industry, mechanical engineering, pipeline infrastructure, and mechanical pipes for mechanical engineering and energy. The pipe products of Interpipe Group of companies are manufactured in accordance with national and international standards, which ensures high quality and reliability of the products. Compliance with modern safety and environmental requirements enables the company to maintain a competitive position in the global marketplace.

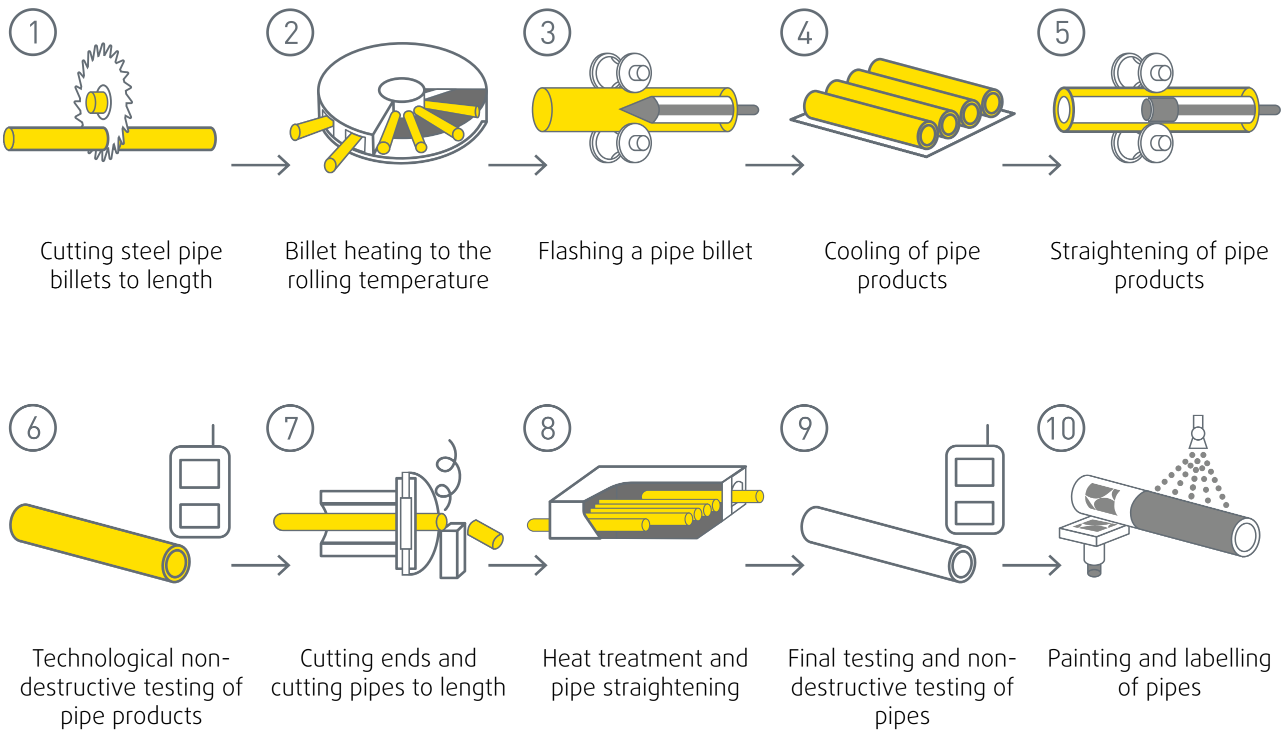
Seamless pipes account for the majority of the Group's production and revenue in this business segment. Pipes with premium and semi-premium connections suitable for use in oil and gas wells play a special strategic role in the seamless pipe product range. Among them, threaded connections of the INTREPID™ and UPJ™ trademarks account for the main share. In addition, the Group completed testing of the new INTREPID-MP premium coupling in 2023, which was certified to Connection Application Level IV in accordance with the requirements of the international standard ISO 13679. Welded pipes represent only a small part of the Group's overall production and revenue structure, and in the context of strategic planning and development, this product segment is not considered a key business area. The Group focuses its resources and attention on other products that are more important to achieving its overall business and strategic objectives.

The Group's Tubes Division has three production sites: Interpipe Niko Tube LLC, which specialises in seamless pipes with plants in Novomoskovsk of Dnipro, and PJSC Interpipe NMPP, which is one of the largest producers of electrowelded steel pipes in Ukraine.

The seamless tubular production process and its stages are shown in the ***figure 12***.

PICTURE 12.

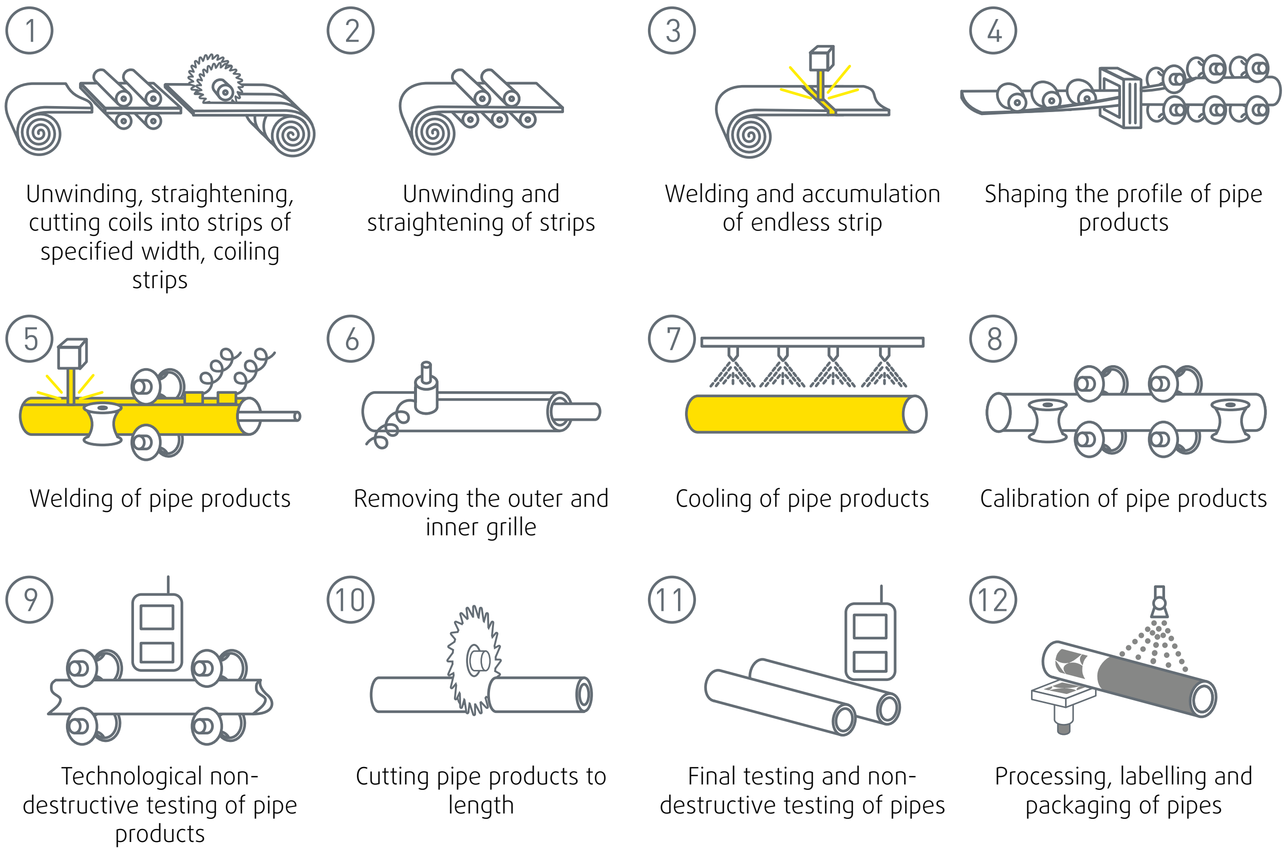
Flow chart of the seamless tubular production process



Welded tubular production includes coil unwinding, cutting, straightening, continuous strip welding, pipe forming, high frequency welding, grid stripping, cooling, calibrating, non-destructive testing, cutting to length and packaging. A detailed description of this process is presented in the ***figure 13.***

PICTURE 13.

Flow chart of the welded tubular production process



ANALYSIS OF KEY MARKETS FOR PIPE PRODUCTS

Interpipe Group's products are sold in more than 70 countries around the world. The main geographical sales areas are Ukraine, Europe, North America, the Middle East and North Africa and other countries. Our customers are both end users - companies in various industries - and distributors with an extensive network of distribution channels.

Interpipe Group is one of the main exporters of general-purpose pipes and pipelines to the EU, accounting for around 15% of imports in the available product mix. The Group is also present in other export markets, but has a relatively small market share (USA - 8.3%, Middle East and North Africa - 2.8%).

In 2023, Interpipe successfully rebuilt its supply chain, which had been affected by the complications of 2022, although some challenges still remained unresolved. These include restrictions on the operation of ports in the Odesa region and problems on the border between Ukraine and Poland. Despite these obstacles, the Group has improved its logistics processes, which is reflected in the positive feedback from customers. In spite of all the challenges, the Group has been able to maintain its position among the top ten seamless tube exporters in the world.

In 2023, the EU, the UK and the US extended the decision to lift safeguard quotas on steel products and anti-dumping duties on seamless steel pipes for another year. This step helped the Ukrainian economy during the war and supported the Group in export markets through a compensatory effect, offsetting the effects of increased logistics expenses, which had a positive impact on the production volumes and financial results of the Interpipe Group in 2023.

International financial and customs regulations continue to affect the Group's trading patterns in various markets. In December 2023, the United States of America announced an update to the anti-dumping duty applied to Ukrainian seamless pipes for the energy sector (including OCTG – Oil and Gas Pipes), setting it at 4.89%. In March 2024, the US also imposed a 4.99% duty on seamless line pipe.

This is significantly lower than the previous rates, which were 23.75% and 27.8%, respectively, until June 2022. In addition, Brazil continues to impose an anti-dumping duty on seamless line pipes with a diameter of up to 141.3 mm until 21 September 2025, which amounts to USD 145.26 per tonne. Mexico also confirmed the continuation of the anti-dumping duty of USD170.1 per tonne, which was introduced in 2018.

Tenaris, Voestalpine, Vallourec, ArcelorMittal and Artrom remain the main global competitors in the markets in which the Interpipe Group operates. Some regions also have local competitors, such as US Steel in the US market and Liberty Steel in Europe.

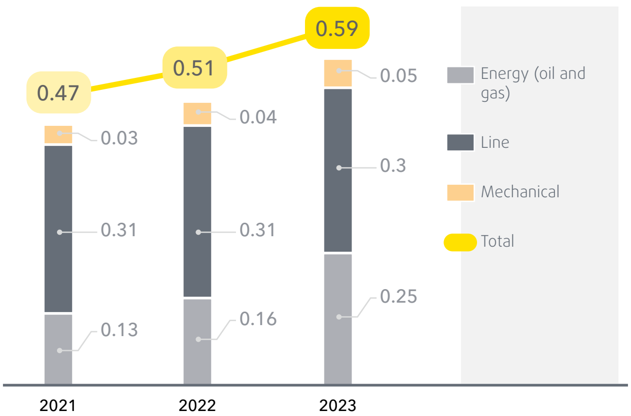
We should also mention Chinese producers, which continued to supply significant volumes of seamless pipes to the Middle East and North Africa and Europe. Their aggressive pricing policy allowed them to maintain a high share in these markets in 2023, which was one of the Group's competitive challenges. Concurrently, Russian producers supplied substantial quantities to the markets of the Middle East and North Africa, as well as to the CIS countries. In a highly competitive market, the Interpipe Group has succeeded in maintaining a robust market position, leveraging the advantages of vertical integration, superior product quality, exemplary service, and environmental responsibility (steel products with a low carbon footprint). This provides potential for growth in demand for the Group's products in future green steel markets.

EUROPEAN MARKET

The economic situation in the European zone showed an improvement in 2023, as inflation fell from 8.4% in 2022 to 5.4% in 2023, with a forecast level of 2.4% in 2024, which should stimulate demand in the industries that consume pipe products. According to EUROFER, steel pipe production in the region decreased by 2.4% year-on-year, as local producers were severely restricted in their export activities due to falling prices in many regions. In 2024, the association forecasts a 1.3% increase in steel pipe production.

PICTURE 14.

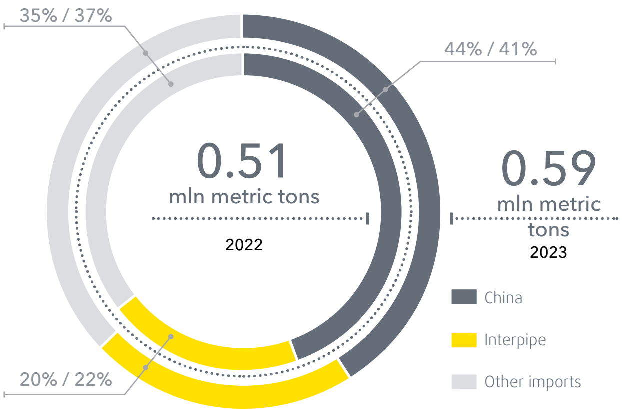
Imports of seamless pipe products to European countries in 2021-2023 (by type) million tonnes[11]



In 2023, European countries imported 0.6 million tonnes of seamless pipe products, up 15% from 2022. Imports of seamless line pipes for pipelines and general-purpose pipes outside the EU reached 299 thousand tonnes in 2023, down 2% from 2022. Concurrently, there was a 52% year-on-year increase in imports of seamless pipes for the energy sector (including oil and gas pipes, or OCTG) in 2023[12].

PICTURE 15.

Imports of seamless line pipes for pipelines and general-purpose pipes outside the EU reached 299 thousand tonnes in 2023, down 2% from 2022



In 2023, Chinese producers reduced their presence in the European seamless pipe market to 41%, down 3% from the previous year. At the same time, Interpipe Group increased its market share in Europe to 22%.

Prices for seamless pipes declined throughout 2023, leading to a 16% drop in the average price of line pipes compared to 2022. This was driven by lower energy prices, improved logistics and a decline in demand in Europe. Prices for OCTG pipe fell by only 8% year-on-year, largely due to stable demand for drilling activity in Western Europe.

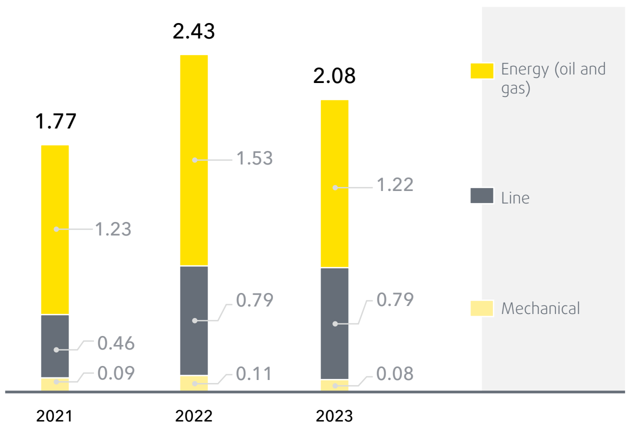
NORTH AMERICA MARKET

Despite the slowdown in the US seamless pipe market, demand continues to be fairly stable. By the end of 2023, the number of drilling rigs in the country decreased by 157 units, reaching 623 units, after an increase of 193 units in 2022. Forecasts for 2024 do not include any increase in demand, which is expected to remain at 2023 levels due to geopolitical turbulence, the upcoming US presidential election and significant inventories. Total imports of seamless pipes and tubes into the US for the whole of 2023 decreased by 10.5% compared to imports in 2022 and amounted to around 1,549 thousand tonnes. Imports decreased for all types of pipes: mechanical pipes (down 15.4% to 62 thousand tonnes), energy sector pipes (down 12.1% to 991 thousand tonnes) and line pipes (down 6.2% to 496 thousand tonnes).

11 Sources: ISSB, Eurostate products
12 Sources: ISSB, Eurostate products

PICTURE 16.

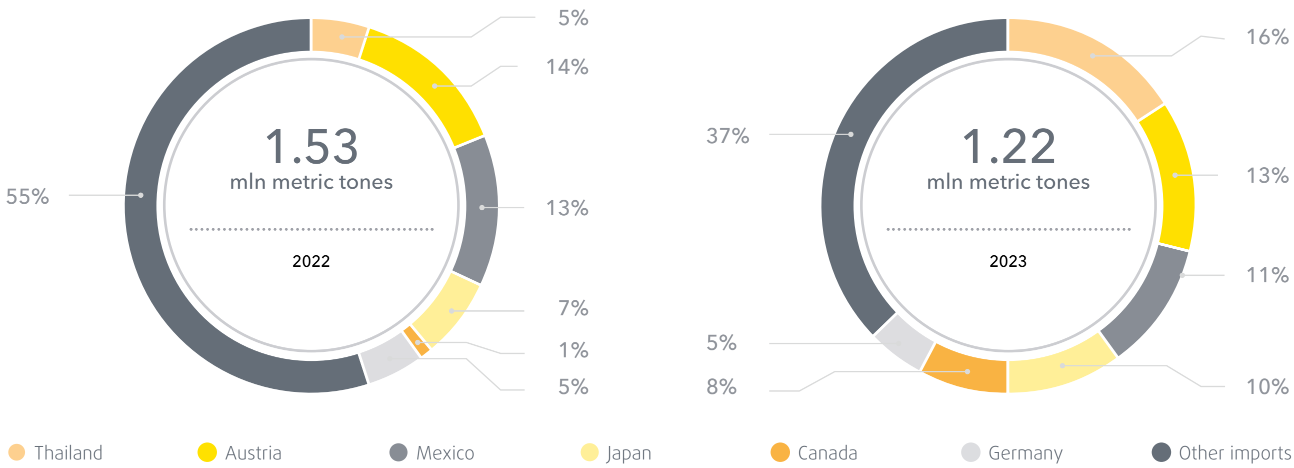
Seamless pipe imports to North America[13] in 2021-2023 (by product type), million tonnes



Imports of pipes for the energy sector (including OCTG pipes for oil and gas production) to North America declined by 4.2% to 1.2 million tonnes in 2023. This overall decrease was due to significant reductions in imports from a number of countries, including Saudi Arabia (down more than sixfold), China (down more than threefold), Argentina (down almost fourfold), Austria (down 25%), and other countries (down 13%). Conversely, imports from Thailand (more than twofold), Japan (+19%), Canada (approximately fivefold), Brazil (+86%), and Italy (fourfold) exhibited an increase. The proportion of Ukrainian products in the US market for imported seamless pipes declined by 2.5% to 5% in 2023. The causes of this decline in the share of Ukrainian imports to the US can be attributed to a substantial increase in imports, an oversupply of goods in storage, and a reduction in pipe consumption.

PICTURE 17.

Structure of imports of seamless pipes for oil and gas sector in North America[14] in 2021-2023 (by import destinations)



In terms of the competitive environment, the acquisition of US Steel by Japan's Nippon Steel Corporation and a significant increase in exports of OCTG pipes from Thailand remain relevant.

In 2023, average OCTG pipe prices are expected to decrease by 14% compared to 2022 and continue to decrease for most of 2024. In particular, the cost of pipes with premium and semi-premium connections decreased by 13.8%, and pipes with API connections by 14.5%, according to Argus.

MIDDLE EAST AND NORTH AFRICA MARKET

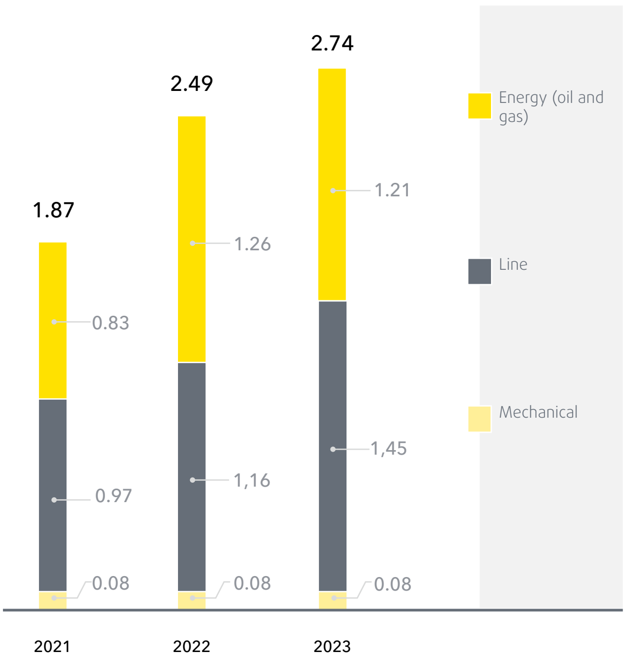
Related industries and their dynamics of change also affect the markets of the Interpipe Group of companies. The Middle East and North Africa market will see growth in the oil production sector in 2023, contributing to an increase in the number of rigs by 24 units year-on-year. The region is expected to lead the global oil and gas industry in 2024 due to active oil and gas development and increased exploration. Demand for seamless pipes remains strong, particularly in the Gulf region and Iraq, where China is well placed to maintain its leading position as a supplier.

Imports of seamless pipes to the MENA region grew by 10% in 2023, driven mainly by strong import growth in Saudi Arabia (up 156%), the UAE (up 23%) and Libya (up 15 times). General-purpose and pipeline pipes accounted for the largest part of imports, accounting for 53% of total imports in 2023, up 25% from 2022. Imports of pipes for the energy sector (oil and gas) accounted for a significant 44% of total imports, representing a 4% year-on-year decrease. In addition, imports of mechanical pipes increased by 10% year-on-year.

13 Source: ISSB
14 This includes domestic imports from the region. Source: Preston

PICTURE 18.

Imports of tubular products in the Middle East and North Africa[15] in 2021-2023 (by product type), million tonnes



The leaders in seamless line pipe consumption were the UAE (22%), Iraq (16%), Turkey (14%), Saudi Arabia (12%) and Kuwait (12%). At the same time, Chinese supplies accounted for about 90% of imports in 2023, which is 12% more than in 2022. Interpipe Group's share in the Middle East and North Africa region decreased slightly to around 3% compared to 4% in 2022.

Oman (22%), Qatar (21%), the United Arab Emirates (16%), Egypt (11%) and Turkey (9%) were the leading importers of seamless pipe of the oil and gas sector. Among them, the UAE increased its consumption the most - by 8% compared to the previous year. China continues to be the main supplier of this type of pipe, keeping 73% of imports unchanged year on year.

Prices for seamless pipes to the port of Jebel Ali decreased by 12% on average in 2023, with peaks in early 2022. In July 2023, the price reached its lowest level in three years. The significant decline in prices was driven by the aggressive pricing strategy of Chinese producers, with a price gap between Jebel Ali (UAE) and China of around 20%.

Consumption of seamless pipes and tubes in the region is expected to continue to grow, driven by a steady flow of investment in construction, infrastructure and mining. Gulf countries, including ADNOC, Sonatrach and Qatar Energy, are planning to increase investment in carbon capture and storage (CCUS) projects and offshore development

15 Source: ISSB

UKRAINIAN MARKET

In 2023, the Ukrainian economy confidently withstood the unprecedented challenges posed by Russia's full-scale invasion. Following a decline of 28.8% in 2022, Ukraine's real GDP demonstrated a recovery with a growth rate of 5.3% in 2023. Domestic demand and a recovery in consumer and business sentiment contributed to this growth, which, while not reaching pre-war levels, demonstrates the economy's ability to adapt to new conditions.

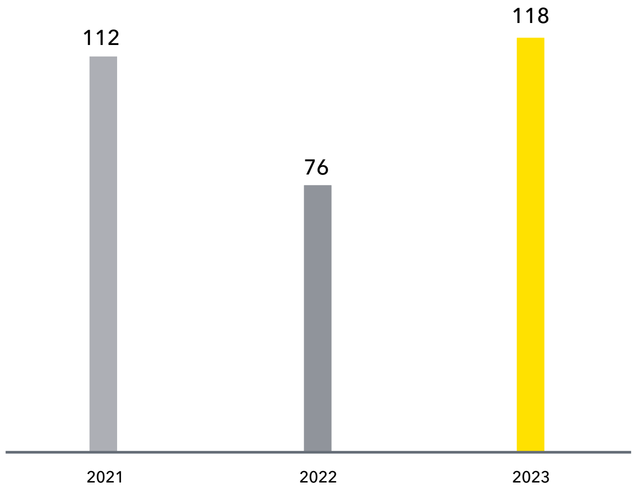
The beginning of the year saw a reduction in the frequency of enemy shelling that damaged energy infrastructure and, as a result, a reduction in power shortages. This, coupled with the flexibility of businesses and households, as well as moderate fiscal policy, helped to reduce the economic decline to 10.3% in the first quarter and gradually restore it. The destruction of the Kakhovka HPP in the summer of 2023, which led to flooding and water supply problems in the south of the country, also posed a significant economic and social challenge. Despite these challenges, real GDP started to grow in the second quarter of 2023, partly due to the NBU's efforts to maintain macro-financial stability.

The war in Ukraine has had an impact on the construction industry, leading to a reduction in new projects and a decline in overall market activity. Construction enterprises faced supply chain disruptions, rising construction expenses and uncertainty in the workforce due to evacuations and conscription. The destruction of infrastructure in some areas has led to an urgent need for repairs and reconstruction, which may contribute to increased demand for construction work in the future. In 2023, the country's construction volume grew by 22.6%, leading to a 44% increase in steel consumption compared to 2022. The Ukrainian pipe industry grew by 10.2%, despite the fact that most production enterprises are located in front-line areas and the industry's main centre, Nikopol, is regularly shelled. However, the performance could have been better had it not been for significant imports of products from China, which compete with domestic products on the Ukrainian market.

The Ukrainian pipe industry grew, despite the fact that most production enterprises are located in front-line areas

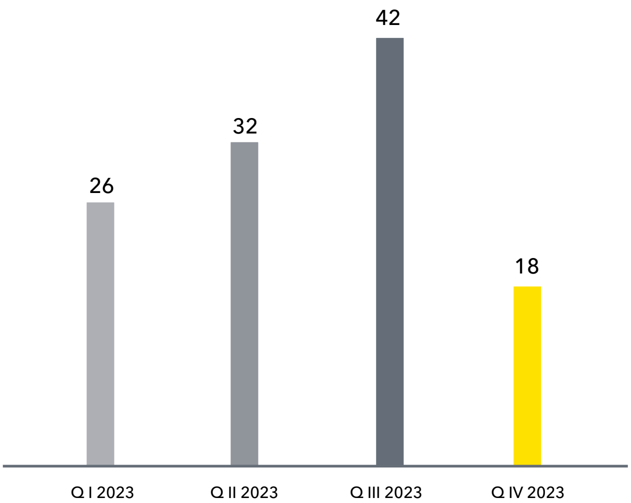
PICTURE 19.

Sales of tubular products in the Ukrainian market in 2021-2023, thousand tonnes



PICTURE 20.

Dynamics of changes in sales of tubular products in the Ukrainian market by quarters of 2023, thousand tonnes



There has been a year-on-year increase in sales of tubular products in the Ukrainian market, with sales of pipes for the energy business (mainly for the oil and gas sector) showing the largest increase of 81%. By the end of 2023, total sales of tubular products reached 118 thousand tonnes, up 55% from 2022.

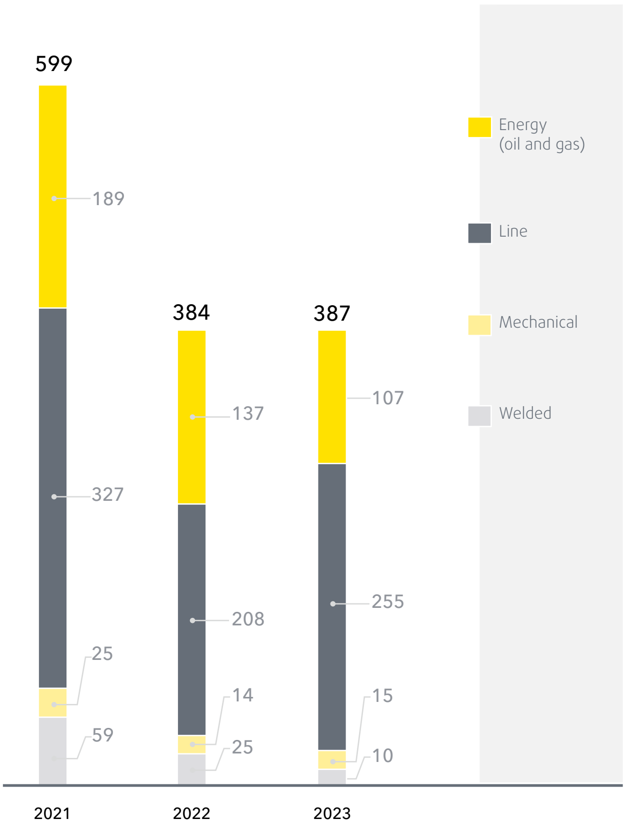
In 2023, Ukraine imported about 6.6 thousand tonnes of general purpose pipes, 2.8 times more than in 2022, and about 28.9 thousand tonnes of OCTG pipes, 7.8 times more than in 2022. The vast majority of general-purpose pipes were imported from China, which accounts for 63% of imports on the market. Thailand was the next key exporter to Ukraine, accounting for 18% of the market. In the case of OCTG pipes, 84% of such products imported in 2023 also came from China, while Austria was the second largest supplier, accounting for 12% of total imports.

PIPE BUSINESS SEGMENT PERFORMANCE IN 2023

In 2023, the Pipe Division's sales volumes totalled almost 387 thousand tonnes, up 0.7% year-on-year. Line pipes (255 thousand tonnes, or 66% of total pipe division sales) and energy pipes (107 thousand tonnes, or 28% of total sales) accounted for the largest sales volumes. OCTG pipes with premium or semi-premium connections represented over 53% (56 thousand tonnes) of the total volume of pipes supplied to the energy sector. It is noteworthy that 95% of these connections were in-house developed and produced threaded connections, specifically the UPJ™ and INTREPID™ models.

PICTURE 21.

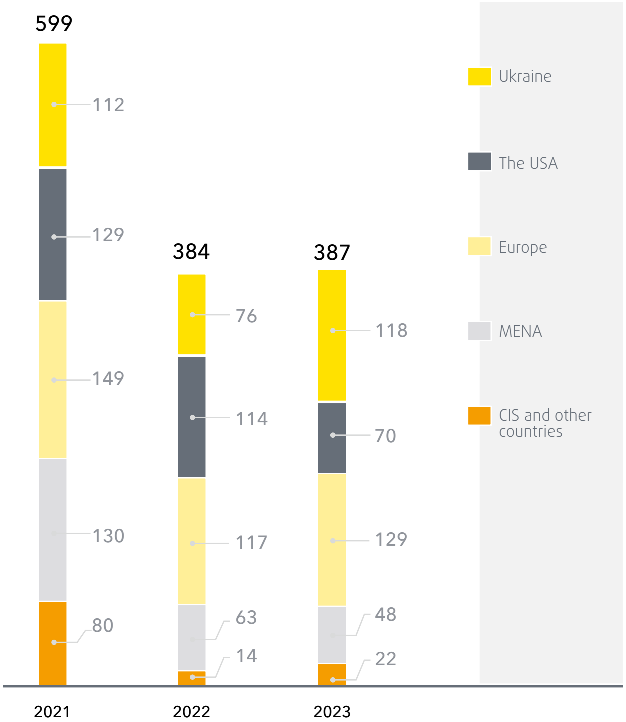
Sales of tubular products by Interpipe Group enterprises in 2021-2023 (by product type), thousand tonnes



In 2023, Europe and Ukraine became the main markets for the Pipe Division's products: each region sold more than 30% of the total volume (129 thousand tonnes and 118 thousand tonnes, respectively). The share of sales to North America and the Middle East and North Africa (MENA) market decreased in 2023 compared to 2022, amounting to 18% (70 thousand tonnes) and 12% (47 thousand tonnes) respectively. At the same time, sales to other countries, including Turkmenistan and Azerbaijan, increased slightly and accounted for 4% of the total (15 thousand tonnes).

PICTURE 22.

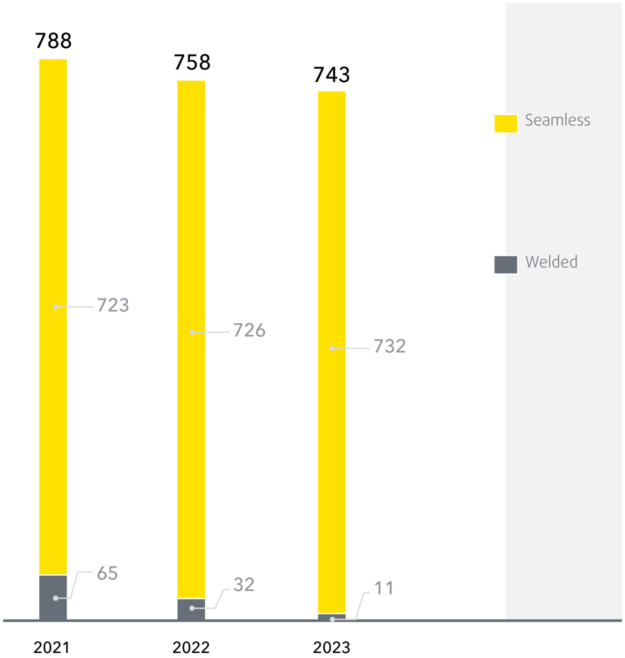
Sales volumes of tubular products by Interpipe Group enterprises in 2021-2023 in the markets of presence, thousand tonnes



In 2023, the Group's pipe segment generated revenues of USD 743 million. This is a drop of less than 2% in the face of a barely noticeable increase in sales. In addition to commercial pipe sales, Interpipe Group of companies also provided specialised services, including support for the implementation, testing and use of our high quality tubular products in wells. We also organised training for drilling rig workers on how to run casing with Interpipe's premium products. In 2023, Interpipe Group's field service department provided technical support for 128 pipe product launches for customers, as well as 105 pipe product launches with premium connections.

PICTURE 23.

Revenue from sales of Interpipe Group's tubular products in 2021-2023 (by product category), USD mln



PRODUCTION SEGMENT: DISHWARE

A separate business segment of Interpipe Group is the production of enamelled steel cookware. The Group's structure includes Society Dishware Novomoskovsk LTD, which is a subsidiary of Interpipe Novomoskovsk Pipe Production Plant JSC. This entity manufactures products under the Idilia brand name. The enterprise has been in business since 1955 and at the time of writing is the only manufacturer of enamelled cookware in Ukraine.

The enterprise's products are sold in 40 countries, including Ukraine, Europe, Central Asia, the Middle East, China and North America. The company's product range includes about 180 products and 6,500 items, including:

- Pans of various shapes (cylindrical, pear-shaped and spherical);
- Kettles;
- Buckets and tanks;
- Mugs, cans and jugs;
- Bowls, dishes, bowls, salad bowls;
- Buckets, trays and colanders.

The Group's products are in demand on the market due to their environmental safety, high quality, modern and diverse design, wide range and compatibility with all types of cookers. The enamelware production process includes the following stages:

- incoming inspection of rolled steel products,
- cutting sheet metal into billets,
- stamping of cookware,
- preparation of the metal surface for enamelling (acid and acid-free),
- enamelling (double coating and double firing),
- applying a decorative finish with firing,
- packaging of finished products.

The steel base of the cookware is coated with several layers of environmentally friendly enamel, which contains no harmful substances and completely protects food from metal ions during cooking and storage.

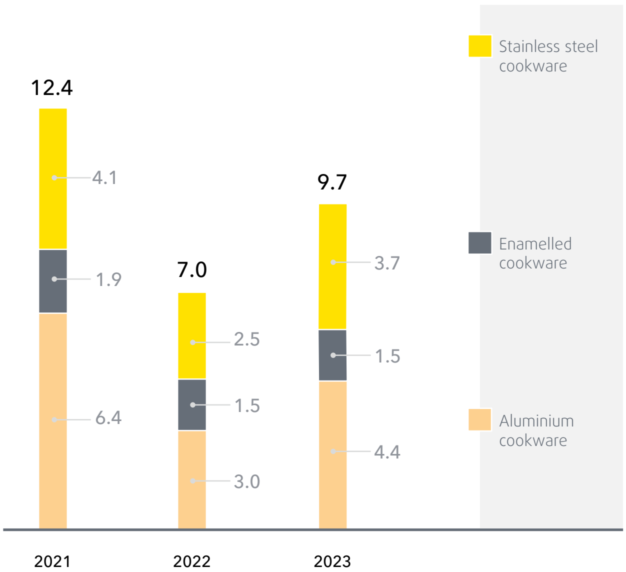
Quality control is carried out at every stage of production, and the enterprise has an EU-certified laboratory. The incoming quality control of raw materials and finished enamelled cookware is carried out in accordance with the requirements of regulatory documents and technological instructions for the manufacture of steel enamelled cookware (DSTU). The enterprise has an ISO 9001:2018 quality management system certificate.

MARKET ANALYSIS

In 2023, the volume of the cookware market in Ukraine increased by 38% in physical terms to 9.7 thousand tonnes, of which the aluminium cookware market accounted for 4.4 thousand tonnes (48% growth by 2022), the enamelled cookware market for 1.5 thousand tonnes (3% growth by 2022), and the stainless steel cookware market for 3.7 thousand tonnes (46% growth by 2022). The growth in market volumes was driven by a recovery in exports. The main focus of exporters was on aluminium cookware and stainless steel cookware.

PICTURE 24.

Structure of the metal cookware market in Ukraine in 2021-2023, thousand tonnes of finished products

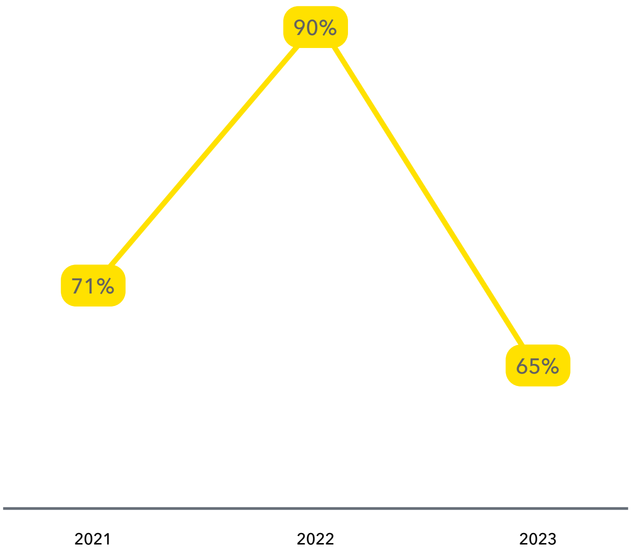


The Interpipe Group's share of the total enamelled cookware market in Ukraine in 2023 is 65%, which is 13% less than the market share of 78% averaged over the last 3 years. The relative decline in the Group's share of the enamelled cookware market in Ukraine is explained by the recovery in exports from Turkish and Chinese manufacturers.

The main priority for strategic development in 2024 is the markets of Eastern and Western Europe, as well as the resumption of sales to the Middle East, which were suspended with the start of the full-scale invasion.

PICTURE 25.

Share of sales of steel enamelled cookware of own production in the Ukrainian market in 2021-2023, %



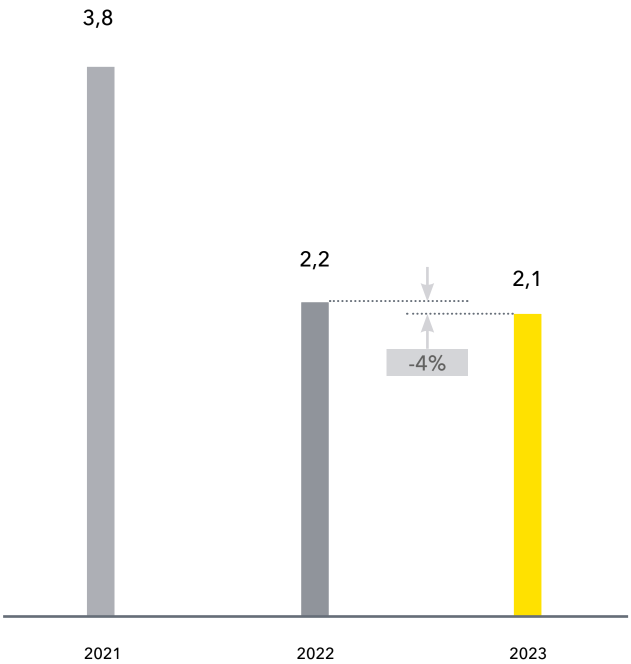
SEGMENT RESULTS IN 2023

To produce enamelled steel cookware, the Group uses rolled metal products from Ukrainian and European manufacturers (Zaporizhstal and U.S. Steel Košice, s.r.o.), which are rolled metal coils with a thickness of 0.65 to 1.22 mm.

In 2023, the Interpipe Group's production of enamelled cookware will total 2.1 thousand tonnes. Production decreased by 4% compared to 2022.

PICTURE 26.

Production volumes of enamelled steel cookware in 2021-2023, thousand tonnes

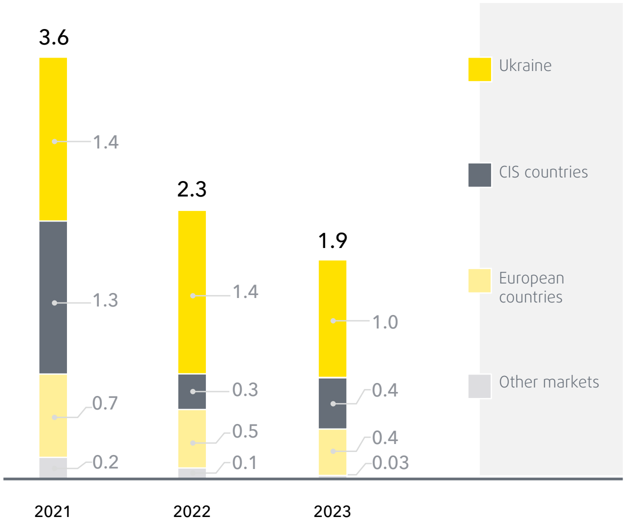


The Interpipe Group's sales volumes decreased by 19% compared to 2022 and amounted to 1.9 thousand tonnes (USD 9.2 million in cash). The products were sold to the following markets:

- The domestic market of Ukraine - 1.0 thousand tonnes;
- European countries - 0.4 thousand tonnes;
- CIS countries - 0.4 thousand tonnes;
- Other markets - 0.03 thousand tonnes.

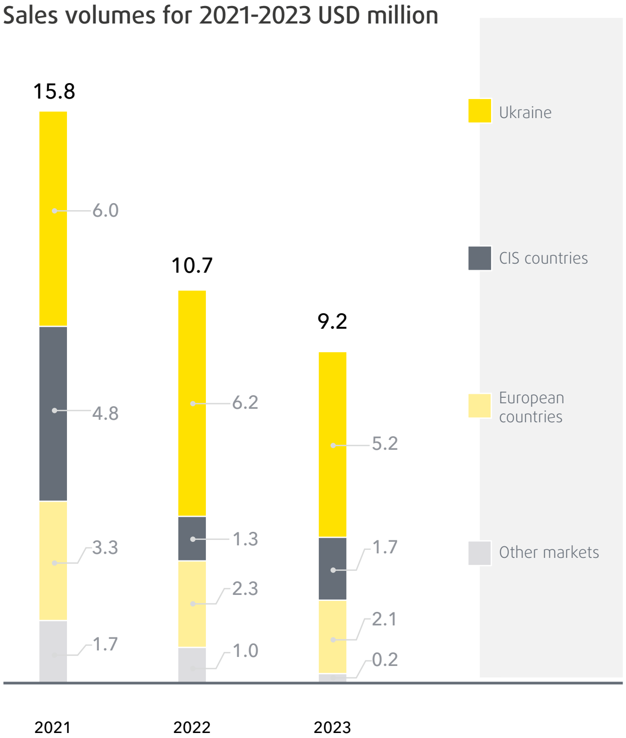
PICTURE 27.

Sales volumes for 2021-2023, thousand tons



PICTURE 28.

Sales volumes for 2021-2023 USD million



FINANCIAL RESULTS OF THE GROUP

APPROACH TO FINANCIAL MANAGEMENT

In 2023, Interpipe Group continued its financial activities in accordance with the internal approach. The CFO is responsible for overall control in this area.

The objectives of this approach include ensuring the financial stability, solvency and high liquidity of Interpipe Group, preventing default and establishing uniform rules and regulations for financial activities. The approach covers the management of cash balances, currency risks, debt burden, and dividend payments. Despite the challenging operating environment created by Russia's full-scale invasion of Ukraine, the Group's leverage remained unchanged and is in line with the Group's net debt to EBITDA ratio of 2 for the threshold and 1.5 for the target. These indicators are calculated in accordance with the terms specified in the Trust Deed of the Eurobonds due 2026.

Over 70% of the Group's revenue is generated in USD and and EUR, while less than 20% of the Group's operating expenses are incurred in these currencies. USD and EUR, while less than 20% of the Group's operating expenses are incurred in these currencies. In this regard, we believe that Interpipe Group has a 'natural' currency hedge, as its foreign currency revenues fully cover its foreign currency expenditures and capital investments. That is why the Group attracts targeted debt financing in USD. The Group's financial instruments are issued in USD and EUR to reduce their value, i.e. the interest rate.

The approach to defining requirements for financial institutions holding cash to minimise currency risk has also remained unchanged. Preference is given to foreign banks. In Ukraine, the Group holds its cash primarily in state-owned banks and banks that are subsidiaries of international banks (excluding Russian banks). The Group has also set minimum cash balances to be held in USD and EUR at the level of 50% or more. The Treasury Department of the Group's Financial and Economic Service monitors compliance with the regulatory balances and cash storage thresholds.

APPROACH TO CONSOLIDATION OF FINANCIAL INFORMATION

Interpipe Holdings PLC is the parent enterprise of Interpipe Group, which owns shares in its subsidiaries. In preparing the consolidated financial statements in accordance with the applicable International Financial Reporting Standards,

the accounts of the parent company and the subsidiaries are combined by adding together the amounts of like items (assets, liabilities, equity, income and expenses) and eliminating all intercompany balances and transactions. Group enterprises are consolidated from the date that the Company obtains control and ceases to be consolidated when such control ceases. In order to present the Interpipe Group as a separate economic entity, the carrying amounts of the parent's financial investments in each subsidiary and the parent's equity interest in each subsidiary are eliminated in the consolidated financial statements. Non-controlling interests in the net assets and net profit (or loss) of enterprises are also separately identified and reported. Profit (or loss) and each component of comprehensive income is attributed to the equity holders of the parent and to the non-controlling interests, even if this is against the financial interests of the minority. In the consolidated balance sheet, minority interests are presented separately from the parent company's liabilities and shareholders' equity.

REVENUE

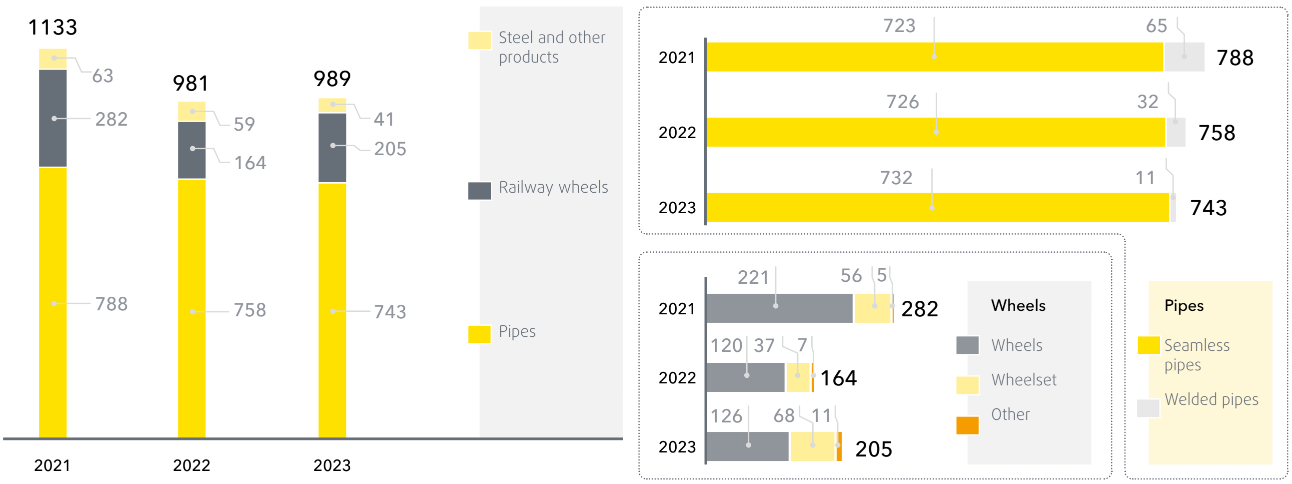
In 2023, Interpipe Group's total annual revenue was USD 989 mln. As in the previous year, the Group's main source of revenue is sales of pipe products. Revenue from seamless pipes totalled USD 732 million. This accounted for 98% of the pipe segment's revenue or 74% of the Group's revenue. Welded pipes traditionally account for a small share of total revenue (1% or USD 11 million). Unlike in 2022, when the US market was the key market for pipes, in 2023 it was the European market, where almost 1/3 of Interpipe's pipe division's products were sold. The second comparable region for Interpipe's pipe products in terms of sales is the domestic market (30% of the total pipe division's sales portfolio).

The railway division's products generated 21% of the Group's annual revenue. The division's revenue declined with the start of the full-scale invasion due to restrictions in production, logistics and sales to certain markets, but it still grew by 25% compared to 2022. Sales of steel and related products accounted for about 4% of the Group's total annual revenue.

In fact, the Group's annual revenue grew by 1% in 2023. Given the difficulties of doing business in the wake of Russia's full-scale military invasion of Ukraine, this result is a sign of business stability and resilience.

PICTURE 29.

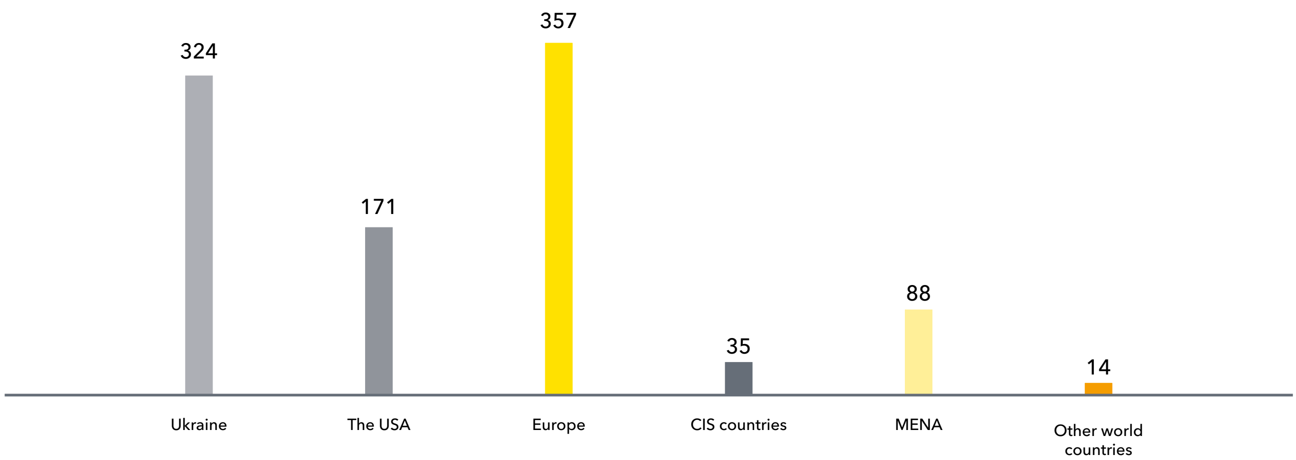
Interpipe Group's revenue by product type in 2021-2023, USD mln



One of the pillars of the Interpipe Group's strategy is to operate in high-margin markets, which increases our competitiveness by strengthening our position in developing new products and improving the technological efficiency of our processes. In the reporting year, the focus was on the Ukrainian and European markets, where revenue grew significantly.

PICTURE 30.

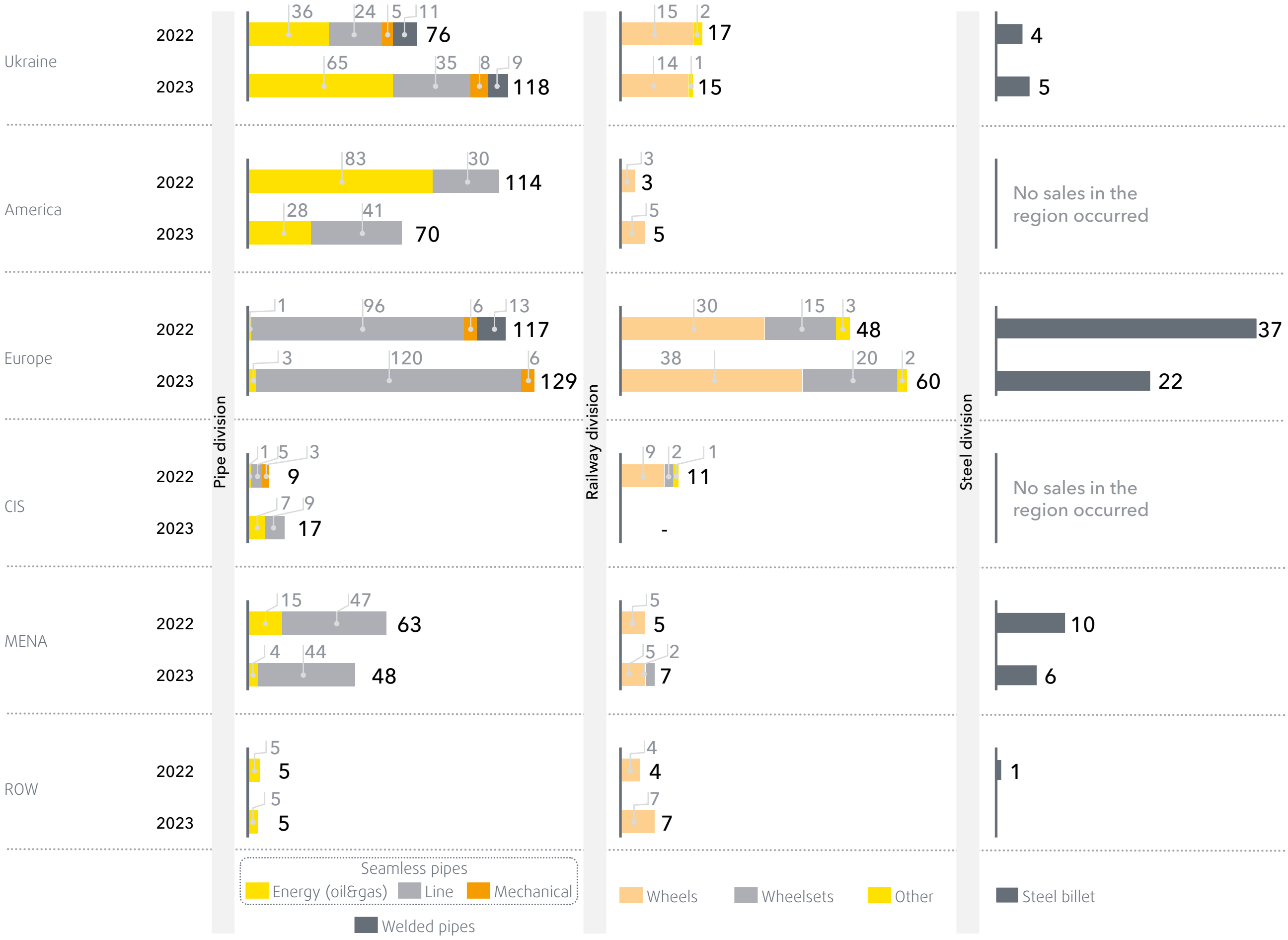
Interpipe Group's revenue by region in 2023, USD mln



In 2023, the Group's total revenue remained virtually unchanged from 2022 (a slight increase of 1%), while total sales (in tonnes) decreased by 2%, mainly due to lower sales of steel billets. Sales of other products increased: pipe products by 1% and railway products by 8%, which may indicate stable global market conditions despite complicated logistics and periodic production restrictions due to the volatility of electricity supply in the first quarter of 2023. At the same time, the product mix and geography of sales have changed significantly.

PICTURE 31.

Sales volumes of Interpipe group products by selected products in the regions, thousand tonnes



PIPES

In 2023, the Group's total sales of pipe products increased slightly by 0.7% year-on-year to 387 thousand tonnes. Seamless pipes accounted for more than 97% of total sales, up 5% year-on-year, while sales of welded pipes fell by 62% to just over 9 thousand tonnes.

In the Americas, Interpipe Group sold 70 thousand tonnes of seamless pipes, down 39% year-on-year. Line pipes account for the bulk of sales (59%). Pipes for the energy segment (mainly for oil and gas production), which constituted the majority of sales last year, represented 40% of sales in the region. This figure reflects a 66% year-on-year decline in volumes. In 2023, premium and semi-premium pipes accounted for 26% of OCTG sales in the Americas region.

In the Middle East and North Africa region, sales of pipe products decreased by 23% to 48 thousand tonnes (including 44 thousand tonnes of line pipes). The decline in volumes was primarily due to a significant increase in supplies from China to the region and their aggressive pricing policy. This has limited the ability of suppliers from other countries to compete successfully in the region.

In 2023, sales of pipe products in Europe increased by 10% to 129 thousand tonnes. Seamless line pipes accounted for more than 93% of pipe sales in the region in 2023. Mechanical pipes accounted for just over 4% of sales in the region. The increase in sales was the result of the Interpipe Group's successful competition in the market and the substitution of some volumes from local producers.

In the domestic market, the Group's sales volumes totalled 118 thousand tonnes of pipe products, up 55% compared to 2022. The oil and gas industry continued to be the main driver of demand for pipe products in the region, allowing the Group to increase sales of pipes for the energy sector (OCTG) and line pipe by 81% and 49% respectively.

In 2023, the price of the Group's pipe products decreased by 2% year-on-year. While average selling prices for OCTG and mechanical pipes increased by 5% and 1%, respectively, prices for line pipe showed a decrease of 3%.

In the Middle East and North Africa region, prices in 2023 were quite volatile throughout the year for different types of pipe products. Prices for seamless OCTG pipes in the region increased in the first half of the year, followed by a significant decline in the second half, due to the dynamics of raw material costs. At the same time, line pipes showed a decline in the first three quarters of the year, followed by growth in the fourth quarter.

In the US market, steel pipe prices began to decline steadily in the second quarter of 2023 after reaching historic peaks in the second half of 2022. The main reasons for the fall in prices were an oversupply of imported pipe products and a decline in consumption, particularly in the oil and gas sector.

The average sale price of the Group's pipe products in Europe decreased slightly, primarily due to lower raw material prices and weaker demand in seamless pipe markets.

RAILWAY PRODUCTS

The Group's total sales of railway products in 2023 increased by 8% compared to 2022 (to 95 thousand tonnes). The main products of this segment were railway wheels (73% of the total volume) and wheelsets (23%).

The European market remains a key and strategic market for the Group, with its parts of total railway product sales increasing to 63% by 2023. Sales of railway wheels to European countries increased by 28% year-on-year to 38 thousand tonnes. Sales of wheelsets in the region also increased by 33% to 20 thousand tonnes.

In 2023, the Interpipe Group sold more than 5 thousand tonnes of railway wheels on the US market, which is 77% more than last year. The growth in volumes was driven by increased market demand and some adjustments by the Group to the new logistics realities. Sales volumes of railway products in the Middle East and North Africa increased by 36% compared to 2021 and totalled 7 thousand tonnes, mainly due to the resumption of wheelsets supplies to Turkey. Sales volumes of railway wheels in the domestic market in 2023 decreased by 7% compared to 2022 and amounted to 14 thousand tonnes. The main reason for the decline is a further reduction in wagon building and repairs due to the war and a decrease in traffic.

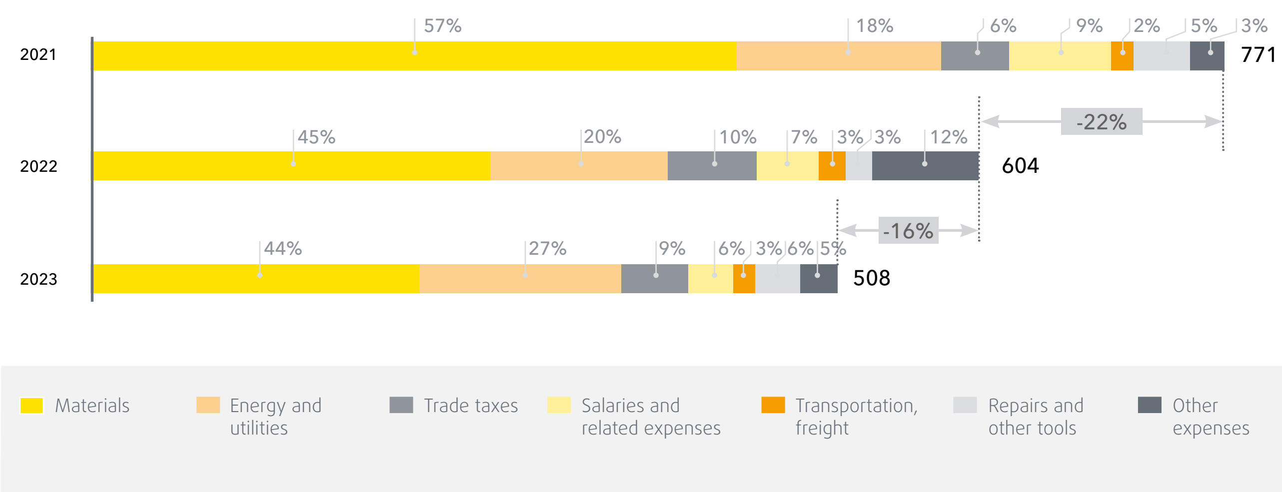
In 2023, the Group's railway wheel prices increased by 3%, while the average wheel set price increased by 28%. The largest price increase for railway wheels was in the US market (+6%), while the largest price increase for wheelsets was in the Middle East and North Africa (Turkey) (+37%).

COST PRICE

In 2023, the cost price of goods sold (excluding depreciation) amounted to USD 508 million. This represents a 16% reduction compared to the previous year. The structure of the Interpipe Group's cost price of sales also changed in the year under review.

PICTURE 32.

Dynamics of the structure of cost price of sales (excluding depreciation[1]) for 2021-2023, USD mln

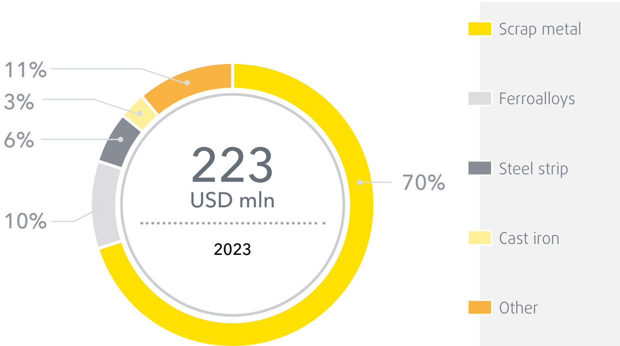


1 In this section, the cost price of goods sold is presented without depreciation and amortisation in accordance with Interpipe Group's approach to disclosing and analysing this indicator.

Compared to 2022, the share of raw materials and supplies remained virtually flat, decreasing by only 1%. In the reporting year, this category accounted for 44% of the cost price or USD 223 mln. The main factor behind this was a more than twofold reduction in the price of natural gas (by 126%). The market price of scrap metal in the domestic market fell by 12% on average in 2023, including due to the devaluation of the hryvnia. At the same time, the price of electricity increased by 15% amid enemy attacks on energy infrastructure. The moderate depreciation of the hryvnia in 2023 resulted in a decrease of the share of salaries and related expenses in the total cost price structure to 6% in the year under review. In addition to scrap metal (70%), ferroalloys (10%), steel strip (6%) and cast iron (3%) accounted for a significant portion of material expenses.

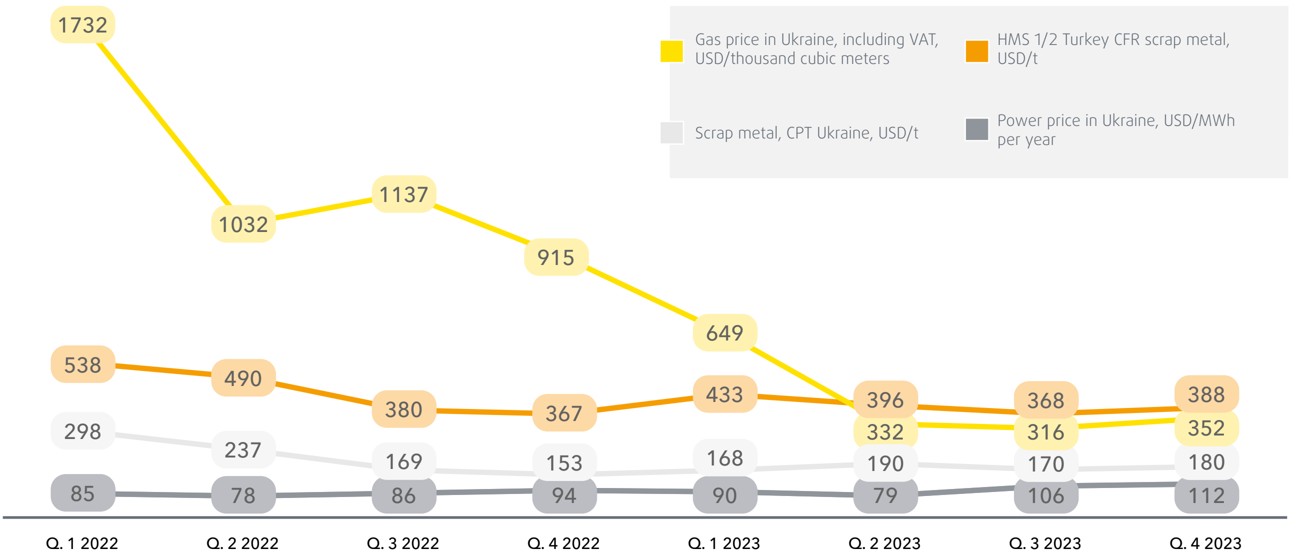
PICTURE 33.

Breakdown of Interpipe group's expenditure on materials in 2023, %



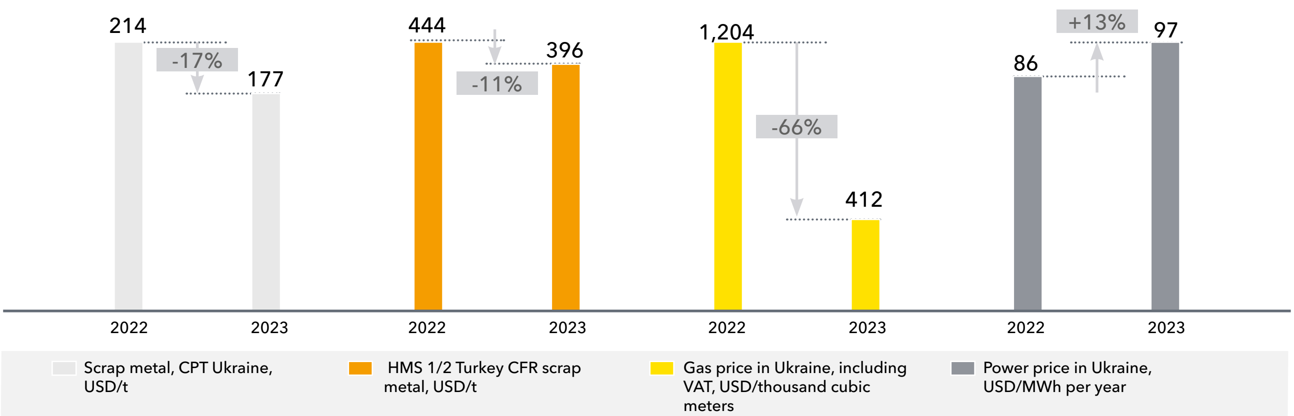
PICTURE 34.

Dynamics of prices for scrap metal, natural gas and electricity in 2022-2023, USD mln[2]



PICTURE 35.

Analysis of changes in prices for scrap metal, natural gas and electricity in 2023 compared to 2022, USD mln



2 Prices are translated from UAH to USD at the average exchange rate for the respective period.

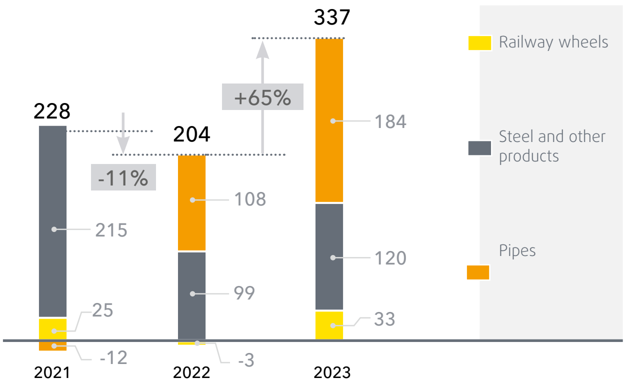
EBITDA

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) is the key measure of the Group's operating segments' performance[3].

In 2023, EBITDA increased by 85% compared to 2022 and amounted to USD 337 million, which is one of the best results in the history of Interpipe Group. The pipe and steel segments generated the bulk of EBITDA. At the same time, the pipe segment's EBITDA contribution to the Group's total performance increased to 55% in 2023, mainly due to lower prices for key raw materials such as scrap metal and natural gas. The railway segment's EBITDA reached USD 33 million in 2023. US after the negative in 2022, which was caused by production restrictions due to Russia's full-scale invasion of Ukraine. The steel segment consistently accounts for a significant share of total EBITDA. In 2023, the segment accounted for 36% of the total due to a significant spread between the market price of steel billets and the price of scrap and other materials in Ukraine.

PICTURE 36.

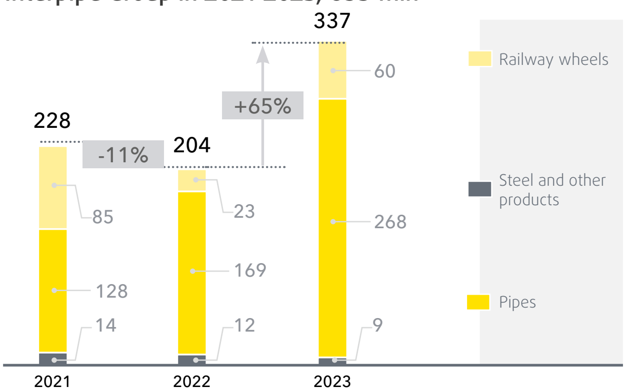
EBITDA by segments of Interpipe Group in 2021-2023, USD mln



To assess the performance of the business segments, the Group's management also uses a pass-through EBITDA analysis, where the relevant parts of the steel segment's EBITDA are reallocated to the pipes and railway segments. In the end-to-end analysis of the Group's EBITDA by segment in 2022-2023, the pipe segment's end-to-end EBITDA was the main driver and contributor to the Group's total EBITDA. This demonstrates the resilience of the Group's business, as the strong performance of the pipe segment helps to cover the less successful performance of the railway segment in 2022-2023, following the loss of the CIS market due to the start of Russia's full-scale invasion. In general, the mutual hedging of the Group's segments in the event that one of them enters a downward trend in its market cycle is one of the fundamental aspects of the Interpipe Group's strategy. This contributes to the overall sustainability of the business and allows us to make and plan capital investments for further development

PICTURE 37.

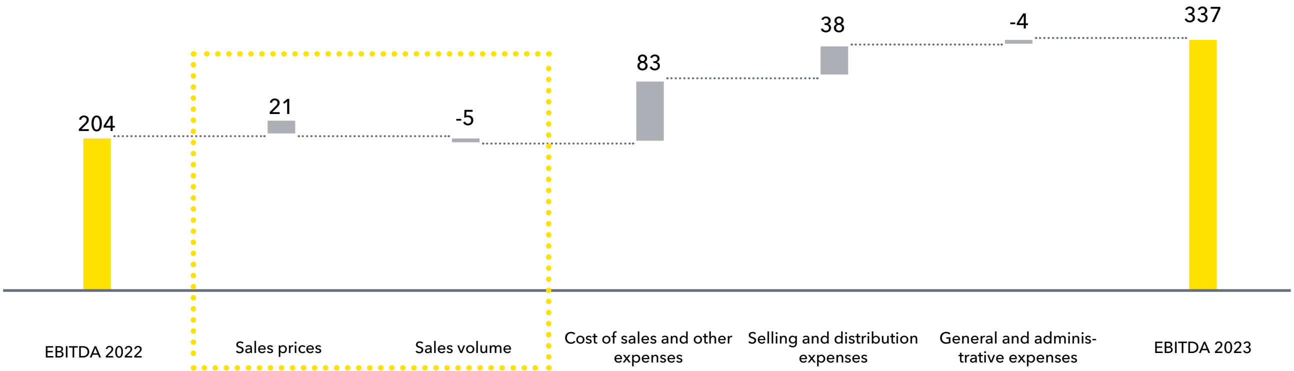
Dynamics of end-to-end EBITDA by segments of Interpipe Group in 2021-2023, USD mln



In order to analyse the dynamics of EBITDA in 2023 in more detail, Interpipe Group performs a factor analysis of the indicator.

PICTURE 38.

Factor analysis of EBITDA change in 2023 compared to 2022, USD mln



3 Calculated according to the methodology set out in the terms of the Trust Deed for the Eurobond issue due 2026, ***https://interpipe.biz/upload/bb2eb65b1cc415b10bc3b782f0197f5f.pdf.***

The dynamics of the Interpipe Group's EBITDA were influenced by a number of factors.

TABLE 2. **DESCRIPTION OF THE POSITIVE AND NEGATIVE IMPACT OF A NUMBER OF FACTORS ON THE GROUP'S EBITDA IN 2023**

Factors	Positive impact	Negative impact	Object of impact
Market	Moderately higher global market prices for the Group's main products on average in 2023 compared to 2022, especially for OCTG pipes and railway products		Revenue (sales prices)
	Increased demand for OCTG in Ukraine due to rising drilling volumes		Revenue (sales volumes)
		Decreased demand and lower market prices for OCTG pipes in the US	Revenue (sales volumes)
	Significant decrease in market prices for gas and scrap metal in the domestic market in 2023		Cost price of goods sold
		Increase in the cost of electricity in Ukraine	Cost price of goods sold
Operational		Nikopol shelling; Attacks on critical energy infrastructure	First of all, revenue (sales); secondly, the cost price of goods sold
	In 2023, the cost of transport and other logistics services was somewhat normalised compared to 2022	Blockade of Ukrainian seaports, blockade of the border with the EU (primarily with Poland)	First and foremost, it is sales and distribution expenses; secondly, the cost price of goods sold
Macro economic	Moderate hryvnia devaluation by 4% in 2023		Cost price of goods sold; general and administrative expenses
	Extension of temporary restrictions on trade barriers in the US and EU seamless pipe markets		First of all, the cost price of goods sold; secondly, revenue (sales).

CASH FLOW

In addition to EBITDA, cash flow is a key performance indicator for the Group. Interpipe regularly carries out an annual analysis of the main elements affecting its cash flow performance.

One of the Group's greatest achievements in this regard in 2023, for the second year in a row, was the full conversion of EBITDA to operating cash flow before changes in working capital (USD345 million), which allowed us to finance all of Interpipe's needs in 2023 and accumulate a[4] significant cash balance of USD 247million.

Despite a slight increase in the Group's sales, investments in working capital increased USD 11 mln. This was mainly due to the need to build new logistics routes from EU ports to export markets in the Americas, the Middle East and North Africa, resulting in longer delivery times.

From the very beginning of Russia's aggression, the Group has fully and timely fulfilled its obligations to pay income tax and service its financial liabilities. In 2023, this amount USD 77 mln. Of this amount, USD 28 million was used to service debt obligations: coupons on the Eurobonds due 2026 and interest on bank debts were paid on time and in full.

Net cash outflow from investing activities was USD 110 million, of which USD 31 million was used for capital expenditure, USD5 million was received as interest on deposits in term and current accounts were decided.

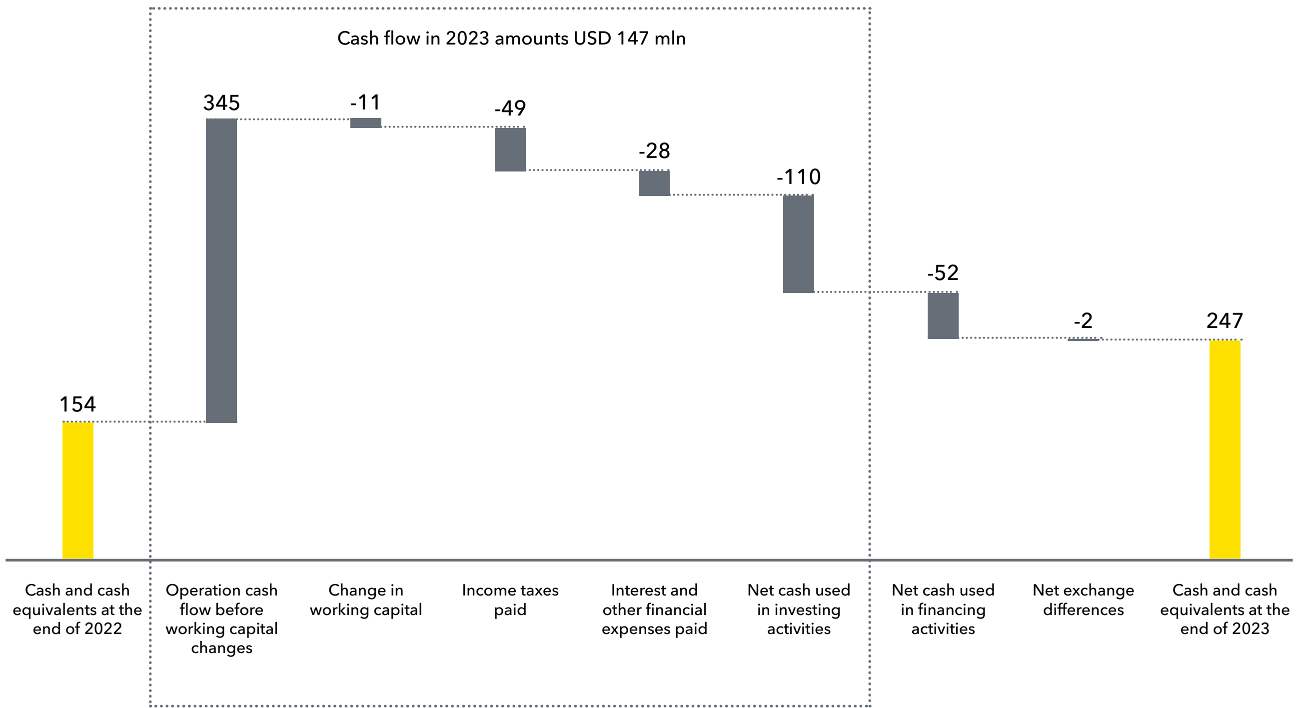
The Group spent USD 52 million on debt repayment in 2023. The Group made scheduled repayments on bank loans and the second annual payment for Performance Sharing Fees and Securities (Commissions and Securities for the restoration of value) in the total amount of approximately USD 49 million.

By fulfilling its obligations on time, Interpipe Group remains a sustainable, competitive and solvent business for both the state and financial institutions.

Free cash flow in 2023 amounted to USD[5] 147 million, up 3% year-on-year in 2022. This result was achieved primarily due to the high level of profitability and EBITDA in 2023.

PICTURE 39.

Factor analysis of cash flow in 2023, USD mln



4 The cash balance is calculated in accordance with International Financial Reporting Standards (IFRS).
5 Free cash flow is calculated as net cash flows from operating activities minus net cash flows from investing activities.

As of the end of 2023, the Group had USD 247 million of cash and cash equivalents on hand[6]. This high level of liquidity is one of the key factors in the Group's long-term financial stability, as it fully covers the debt repayment schedule for 2024-2025.

CAPITAL INVESTMENTS OF THE GROUP IN 2023

Since the beginning of Russia's full-scale military invasion in Ukraine, capital investments in development projects have been suspended. At that time, we focused on addressing urgent operational issues and carrying out the necessary capital repairs and maintenance projects to keep our industrial assets running.

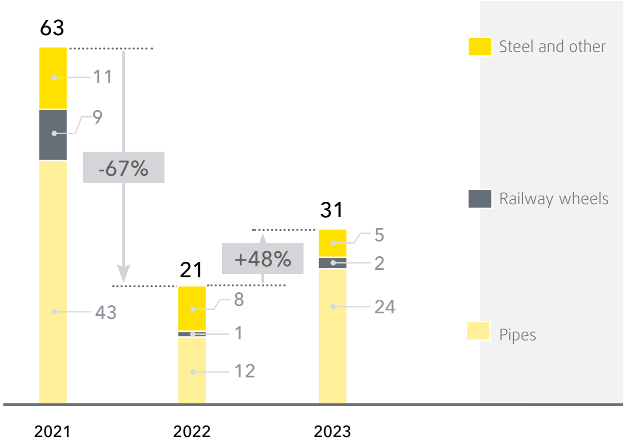
However, the Board of Directors has announced a gradual resumption of investment in development projects, with the first phase scheduled for August 2023. One of the priorities was to resume the project to build a new heat recovery unit at the Nikopol site of Interpipe Niko Tube LLC.

A detailed list of the Investment Programme projects and the amount of capital investments for their implementation is provided in section ***Interpipe Group Capital Investments.***

Therefore, compared to 2022, the Group's capital investments increased by almost half to USD 31 mln. In 2023, the vast majority of capital investments were made in capital repairs and investments to maintain assets and equipment in an operational state. Approximately 3/4 of total capital expenditure was in the tubes segment (due to the resumption of the above-mentioned project to build a new heat treatment facility), 15% in the steel segment and the remaining 6% in the railway wheels segment.

PICTURE 40.

Capital investments by Group segments in 2021-2023, USD mln



DEBT BURDEN

For Interpipe Group, debt is one of the sources of funding that allows it to maintain a sustainable capital structure in the long term. In view of the financial performance in 2023 and the current volume of business in general, the current debt level is a sustainable level of debt for the Group, enabling it to achieve its strategic goals.

As of the end of 2022, Interpipe Group's total debt stood at USD 377 million[7]. There were no new debt raisings in 2023. Compared to 2022, this figure decreased by USD9 million due to a decrease in the fair value of Performance Sharing Fees and Securities (Commissions and value-added securities) and planned amortisation of bank debt.

The components of Interpipe Group's total debt as at 31 December 2023 were as follows:

- USD299 million of 5-year Eurobonds (at amortised cost). The nominal amount of the debt is USD300 million and the coupon rate is 8.375% per annum (payable twice a year). The final maturity date is 13 May 2026. The Eurobonds are listed on the Official List of the Luxembourg Stock Exchange.

6 The cash balance is calculated in accordance with International Financial Reporting Standards (IFRS).
7 Calculated according to the methodology set out in the terms of the Trust Deed for the Eurobond issue due 2026, https://interpipe.biz/upload/bb2eb65b1cc415b10bc3b782f0197f5f.pdf.

- Debt on two bank debts from Ukrgasbank JSC. Both debts have a variable interest rate, which changes once a year and is equal to the[8] 12-month UIRD index in euros + 3.88% per annum. These debts are denominated in euros for a total amount equivalent to approximately USD 37 million (as of 31.12.2023):
  - Short-term revolving credit facility of EUR7 million with a final maturity date of 13 Decem-ber 2024;
  - Long-term non-revolving credit facility with an outstanding amount of EUR25.9 million and a maturity date of 30 November 2025.

  Performance Sharing Fees and Securities with a fair value measurement of USD 31 mln. This instrument is effectively an instrument of participation in the share capital (equity-like instrument) as the holders of this instrument are entitled to receive a certain proportion of the EBITDA or Adjusted Cash flow as reported in the consolidated financial statements of the Interpipe Group for three consecutive annual periods, namely:

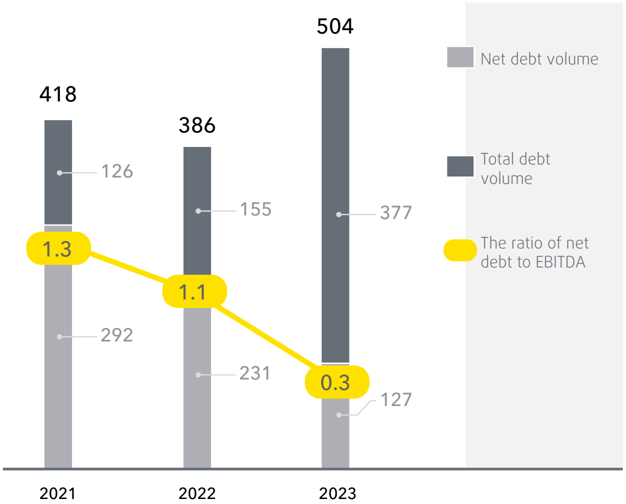
Accrual period	Date of payment	Payout calculation
From 1 July 2021 to 30 June 2022	October 2022 (completed)	
From 1 July 2022 to 30 June 2023	October 2023 (completed)	15% of EBITDA or 22.5% of Adjusted Cashflow for the accrual period (whichever is greater)
From 1 July 2023 to 30 June 2024	October 2024	

The second annual instalment of approximately USD49 million was paid on October 2023. The third annual instalment was paid in October 2024.

The Group's net debt at the end of 2023 decreased by USD[9] 104 million to USD127 million Despite the unfavourable business environment in 2023, the Group continued to consistently and faithfully fulfil all its obligations to repay and service its debts to creditors and investors. Moreover, the net debt to EBITDA ratio as at 31 December 2023 strengthened significantly to 0.4, driven by strong financial results and well below regulatory targets in line with our debt management approach.

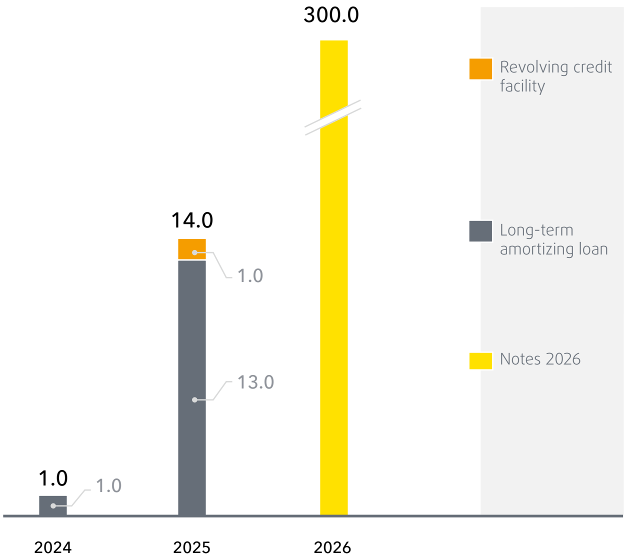
PICTURE 41.

Dynamics of total and net debt (USD million) and net debt to EBITDA ratio in 2021-2023, USD mln



PICTURE 42.

Current debt maturity schedule, USD mln



8 The Ukrainian Index of Retail Deposit Rates (UIRD) is a rate calculated by Thomson Reuters using a methodology developed jointly with the National Bank of Ukraine (NBU). The index is calculated on the basis of nominal rates on retail deposits of key commercial banks in Ukraine, https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbank.gov.ua%2Ffiles%2FUIRD.xls&wdOrigin=BROWSELINK

9 Calculated according to the methodology set out in the terms of the Trust Deed for the Eurobond issue due 2026, https://interpipe.biz/upload/bb2eb65b1cc415b10bc3b782f0197f5f.pdf.

CORPORATE GOVERNANCE OF THE GROUP

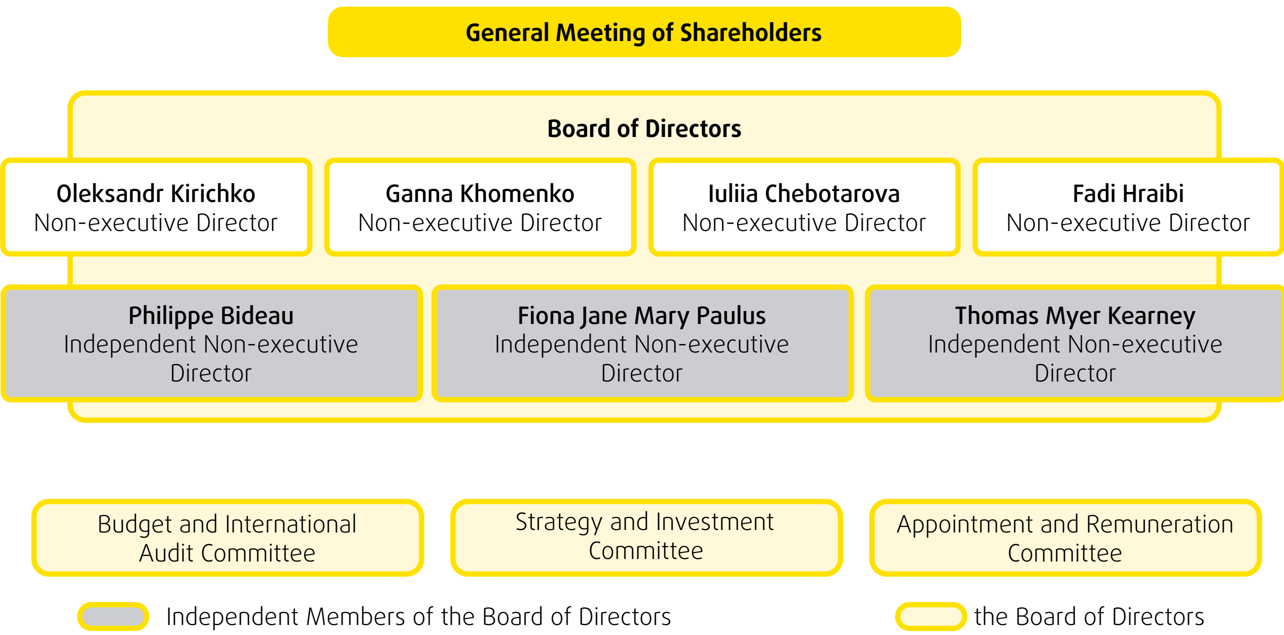
CORPORATE GOVERNANCE STRUCTURE

The Interpipe Group consists of 30 companies, 16 of which are registered in Ukraine and 14 abroad. The Group's parent company is Interpipe Holdings Plc, registered in Nicosia, Cyprus. Interpipe Holdings Plc is a public company with limited liability. All Group companies comply with the requirements of applicable laws and internal regulatory documents, including the charter.

Production enterprises are concentrated in Dnipro, Nikopol and Novomoskovsk of Dnipropetrovsk region. The trading companies are registered in Dnipro (Ukraine), Paradiso (Switzerland), Dubai (UAE), Frankfurt am Main (Germany) and Houston (USA).

The Group's corporate governance structure includes the General Meeting of Shareholders, the Board of Directors and management bodies of individual enterprises. In 2023, there were no amendments to the corporate governance system or the composition of the top management bodies of the Interpipe Group in comparison to the previous year. Taking into account the changes in the composition of the Board of Directors after December 31, 2023, namely the resignation of A. Korotkov and Y. Konstantinovsky in June 2024, we provide information on corporate governance as of the date of this Report.

PICTURE 43. Interpipe's corporate governance structure as of the date of this Report



The Group is divided into three divisions based on its main products: railway, steel and pipe. The divisions consist of production enterprises and support companies. The Group also includes companies that are not included in any of the divisions, such as cookware, lime and electricity supply, scientific testing and quality control, transport and consultancy. The Group also includes trading companies in Ukraine and abroad.

The senior management team at Interpipe is comprised of highly experienced professionals who oversee the Group's operational management. The company's top management team comprises the CEO, CFO, HR Director, and Directors of all three divisions (Steel, Pipe and Rail), who are responsible for both production and sales. In addition, the team includes the Chief Economic Officer and Corporate Affairs Director. There were no changes among the key managers, except for the creation of a separate position and the addition of a Corporate Affairs Director to the team. Andrii Korotkov has resigned from the Board of Directors, but will continue in the role of CEO. The proposals and recommendations of the top management are subject to review by the independent governing bodies of each individual Group company.

THE BOARD OF DIRECTORS AS AT THE DATE OF THIS REPORT

FADI HRAIBI

Non-Executive Director

Education: American University of Beirut (Lebanon), INSEAD (France).

Fadi Hraibi has extensive management experience in industry. He headed the Interpipe Group from 2016 to 2020. He was previously Senior Vice President at Argo Investment and CEO of Nordic Yards.

GANNA KHOMENKO

Non-Executive Director

Education: Kyiv National University (Ukraine), Keele University (UK).

Ms Khomenko has served as the proprietor and managing director of Fiduciana Trust (Cyprus) since 2009.

Prior to this, she held a number of senior legal and management roles at major law firms and corporate service providers in Cyprus.

IULIIA CHEBOTAROVA

Non-Executive Director

Education: Dnipropetrovsk National University (Ukraine), Interregional Academy of Personnel Management (Ukraine).

Ms Chebotarova was Executive Director and Chief Operating Officer at EastOne Group, and also worked as Vice President for Corporate Property at Interpipe Group.

OLEKSANDR KIRICHKO

Non-Executive Director

Education: Dnipropetrovsk National University (Ukraine).

Mr Kirichko has many years of management experience in industry. He was the CEO of Interpipe.

PHILIPPE BIDEAU

Independent Non-Executive Director

Education: Stanford University (California, USA).

Prior to his appointment to the Board, Bideau was a Director at McKinsey & Company.

FIONA JANE MARY PAULUS

Independent Non-Executive Director

Education: Durham University (UK).

Ms Paulus has served as a Non-Executive Director at RHI-Magnesita and as a Non-Executive Director at Housing Pathways.

THOMAS MYER KEARNEY

Independent Non-Executive Director

Education: Harvard University (Massachusetts, USA), Johns Hopkins University (Maryland, USA).

Prior to his appointment to the Board, Mr Kearney was a Commissioner of Bumi Resources and a Director of Mriya Farming.

As of the date of this Annual Report, the Board of Directors comprises seven members, four of whom are non-executive and three of whom are independent non-executive directors. Their main responsibility is the strategic management of the Group. The nomination and selection of candidates for the Board of Directors is conducted in accordance with the approval granted by the General Meeting of Shareholders. Such candidates must have relevant training, experience, qualifications and expertise in the relevant areas of the Group's business.

The Board of Directors has three committees:

- Budget and Internal Audit Committee,
- Strategy and Investment Committee,
- Nomination and Remuneration Committee.

They advise the Board of Directors on a range of Group issues. In particular, the Strategy and Investment Committee sets the course for the implementation of sustainable development objectives.

TABLE 3. THE BOARD OF DIRECTORS IS COMPRISED OF INDIVIDUALS WHO POSSESS A RANGE OF COMPETENCIES, INCLUDING:

Full name	Position	Work experience at Interpipe	Corporate planning/ business strategy	Finance/ Accounting/economics	Personnel management	Risk management/ compliance, which led to	Technologies/ scientific research and development	Sales/purchasing/marketing	Management of international companies	Environment/sustainability	Public management/ public policy
Fadi Hraibi	Non-Executive Director	12+	▲	▲	▲	▲	▲	▲	▲	▲	
Iuliia Chebotarova	Non-Executive Director	11+	▲	▲	▲	▲			▲		▲
Ganna Khomenko	Non-Executive Director	16+	▲			▲			▲		
Oleksandr Kirichko	Non-Executive Director	23+	▲	▲	▲		▲		▲	▲	
Philippe Bideau	Independent Non-Executive Director	7+	▲	▲		▲	▲	▲	▲		
Fiona Jane Mary Paulus	Independent Non-Executive Director	3+	▲	▲		▲		▲		▲	▲
Thomas Myer Kearney	Independent Non-Executive Director	3+	▲	▲			▲	▲		▲	▲

According to Interpipe Holdings PLC's charter, members of the Board of Directors are not entitled to vote on matters in which they may have a conflict of interest. If a member of the Board of Directors nevertheless votes on such a conflicted issue, his or her vote will be considered invalid.

THE PROCESS OF DETERMINING REMUNERATION

The Interpipe Group has a Compensation Policy in place, approved by the Board of Directors, which regulates the remuneration and motivation of employees. This document is a set of principles, rules and procedures. The policy was developed to attract, motivate and encourage qualified employees, as well as to ensure fairness and competitiveness in the labour market.

Employee remuneration consists of fixed and variable components. The fixed part is a fixed salary, and the variable part is performance-based bonuses. In particular, bonuses are paid for the achievement of specific targets, which are set in line with the Group's strategic and operational objectives. The main KPIs for all employees include indicators aimed at increasing the Group's profit, reducing expenses and improving business efficiency.

The remuneration of the Group's key personnel is influenced by the following factors:

- The level of evaluation of the position based on the required professional and managerial knowledge, skills, complexity of the tasks to be solved in this position and its role in achieving the results of the entire Company;
- The market value of a position in a particular geographic and industry market, based on its assessment and the labour market situation;
- Business development and financial position of the Company;
- An employee has the competencies, qualifications and motivation necessary to solve certain tasks in the position, and is effective in achieving objectives.

The Group does not have fixed remuneration review dates. This is done in accordance with the Group's financial capabilities and depending on the situation on the labour market. Employees are informed of changes to their remuneration levels by written notice within the timeframe established by applicable labour laws.

INTERNAL CODES AND POLICIES

We are guided by the principles and rules set out in our internal codes and policies. These documents cover various aspects of the Group's operations, including human resources management, financial operations, production processes, marketing, security, etc.

All the Group's internal regulatory documents are developed by the relevant departments of the Company independently or in cooperation with the departments holding a particular business process. Any regulatory documents (policies, codes, etc.) that provide for public commitments of the group are preliminarily reviewed by the ESG Committee of the Management Board and subsequently approved by the Board of Directors. In developing policies and codes, external standards and methodologies, as well as the regulatory frameworks of all jurisdictions in which the Group operates, are analysed with a view to further adaptation and integration. Interpipe Management LLC is responsible for developing and implementing measures to achieve the strategic objectives set out in the policies.

The Group's investment policy is aimed at increasing the value of the Group's pipe, railway and steel-melting segments. It addresses key challenges such as ensuring that equipment and technologies meet planned sales volumes, reducing production expenses, improving product quality and employee productivity. It includes a list of projects, implementation schedules, capital expenses estimates and project payback calculations. The Strategy and Investment Committee of the Board of Directors is responsible for making decisions on the Group's investments. Two meetings were held in 2023, resulting in 12 decisions. The management of each enterprise is responsible for implementing these decisions (7 meetings, 70 decisions).

The accounting policies determine the principles, methods and procedures that the Group uses to prepare and maintain its accounting records and financial statements in accordance with the applicable standards. It covers approaches to the translation of foreign currencies, investments in foreign operations, valuation of goodwill, depreciation of assets, lease transactions, borrowings, accounting for intangible assets, investments, dividends, etc. These approaches are disclosed in the Group's consolidated financial statements.

The majority of the Group's policies and codes apply to all divisions and companies. However, some policies (Health and Safety Policy, Environmental Policy, etc.) are developed individually for each enterprise. Separate Group policies cover specific areas of operations (e.g. trading and procurement policies).

INTERNAL AUDIT AND RISK MANAGEMENT

To improve the efficiency of its business, Interpipe Group conducts internal audits on a regular basis. This helps to establish a systematic approach to assessing and improving the effectiveness of risk management and internal control systems.

The Group's internal audit procedure is defined by the approved Internal Audit Procedure and is carried out by the Internal Audit Service (IAS). This service is centralised across the Group. In order to ensure the independence of its operations, the IAS is subordinated to the Board of Directors. Each year, the Head of IAS submits proposals for the department's budget and annual audit plan to the Budget and Internal Audit Committee of the Board of Directors. The annual audit plan includes:

- list of areas/divisions subject to internal audit,
- the timeframe for completing each internal audit task,
- the immediate tasks of the IAS.

The Internal Audit Service consists of two people - the Head of the Service and the Senior Auditor. The IAS assesses the effectiveness of processes and interacting systems, identifies potential risks and opportunities for improvement, and makes recommendations to improve the efficiency of the processes audited.

The results of the IAS audit may be presented to the Board of Directors or to the Budget and Internal Audit Committee of the Board of Directors. The IAS recommendations are a detailed action plan with deadlines and a list of responsible persons for the implementation of such actions. The Board of Directors or the Budget and Internal Audit Committee of the Board of Directors reviews the recommendations of the IAS and approves them for implementation. The IAS then monitors the implementation of the recommendations following the internal audit.

An effective risk management system plays a significant role in the development and improvement of business. In the Interpipe Group of companies, risk management functions are differentiated between the main services according to their competencies.

TABLE 4. **DISTRIBUTION OF RISK MANAGEMENT FUNCTIONS AND RESPONSIBILITIES AMONG THE SERVICES OF THE INTERPIPE GROUP OF COMPANIES**

No.	Risk description	Service responsible for risk management
1	Financial risks	Financial and economic service
2	Legal (legislative) risks	Legal support service
3	Reputational risks	PR service
4	Counterparty credit risks	Financial and economic service and divisional sales service
5	Environment, occupational health and safety, and technological risks	Environmental and industrial safety service
6	Human rights, sanctions	Corporate affairs service
7	Fraud, corruption, intellectual property	Economic security service

Significant risks are identified centrally at Management Board level, and each risk is then reviewed by a specific Group function in accordance with its remit, and a decision is made to mitigate or prevent a potential threat.

Risks related to the impact on the Group's financial results are disclosed in the financial statements and are subject to audit by external auditors. The Group's senior management is responsible for the preparation and presentation of the Group's financial statements, with the consolidated financial statements approved by the Board of Directors.

MANAGING TAXATION ISSUES

Transparency in business is one of the key principles that guides the Group. We fulfil our obligations in good faith to verify the correctness of the calculation and timely payment of taxes and other mandatory payments as required by law.

It is the responsibility of the CFO to ensure that the company complies with all relevant tax regulations. It is the responsibility of each legal entity to oversee and manage its own accounting and tax accounting processes.

A dedicated tax planning department has been established to provide expert advice on tax planning strategies, such as:

- assistance with the preparation of transfer pricing reports and documentation;
- financial planning for the calculation and payment of income tax and VAT;
- preparation of tax opinions at the request of stakeholders and organisation of meetings on current tax calculation and payment issues;
- monitoring and analysing changes in tax and foreign exchange legislation and communicating changes to the relevant parts of the Group in a timely manner;
- sending requests to the State Tax Service of Ukraine for clarification of complex issues;
- preparation of responses to regulatory enquiries and written enquiries on sensitive tax issues;
- participation in the preparation of objections and complaints as part of administrative or judicial appeals against the results of inspections;
- participation in work with external consultants, such as audit firms, etc.

All tax information is disclosed in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), the Cyprus Companies Law (Cap.113), the Law of Ukraine 'On Accounting and Financial Reporting in Ukraine' and other laws and regulations of the countries in which the Interpipe Group operates. Tax returns and reports are signed by the chief accountant and a director of the relevant Group company.

THE GROUP'S APPROACH TO RISK MANAGEMENT

Interpipe Group's risk identification and assessment process is systematic. The risk registers are reviewed as necessary and in the event of significant events or changes in external circumstances that may lead to a change in their assessment or management approach. We are committed to identifying existing and potential hazards and negative impacts, and regularly review our risk registers. In 2023, we revised the list of 16 key risks for the Interpipe Group and supplemented the methods for managing them with relevant and effective practices.

In 2023 and early 2024, the list of risks did not change significantly, as the main ones remain those related to military operations. In addition, the weight (rank) of electricity supply risks has increased significantly due to the ongoing attacks on Ukraine's critical and energy-producing infrastructure and the almost complete destruction of the manoeuvring capacity of thermal and hydroelectric power plants. The risk of a shortage of skilled workers due to the outflow of personnel from Ukraine and increased mobilization measures has also become more significant. In turn, the risks of disrupting logistics routes have somewhat decreased due to the easing of tensions over the blockade of Ukraine's western land border and the availability of some of Ukraine's Black Sea ports for chartering and shipping products by sea to the Americas, the Middle East and other countries.

The risk associated with regulatory restrictions imposed by the National Bank of Ukraine on servicing external financial liabilities and shortening the terms of currency repayment also remains significant for the Group. In response to a business request, the National Bank of Ukraine approved Resolution No. 56 dated 3 May 2024 'On Amendments to Resolution of the Board of the National Bank of Ukraine No. 18 dated 24 February 2022', which introduced certain minimum easements to the possibilities of repatriating capital from Ukraine abroad. Nevertheless, the risks of servicing the Group's external international liabilities raised before the start of a full-scale invasion (including on public capital markets) and potential default on them remain extremely significant. In particular, because the NBU resolution did not resolve the fundamental issue of servicing and repayment of external international debts in the period from 24 February 2022 to the date of the resolution, which was done at the expense of export revenues.

TABLE 5. LIST OF KEY RISKS OF INTERPIPE GROUP OF COMPANIES

No.	Risk description	Potential risk exposure	Risk management
STRATEGIC (BUSINESS) RISKS			
Risks associated with Russia's full-scale invasion of Ukraine and hostilities			
1	Safety and uninterrupted operation	Decrease in EBITDA and production volumes	Flexible and timely response to changes in the external environment, investments in infrastructure stability (backup generators, water pipes)
2	Employee safety and well-being	Threat to the health and lives of employees, loss of skilled labour, reduced EBITDA and negative social impact on local communities	Possibility of relocating employees and their families, availability of remote work for engineering and technical staff, financial support for local communities and employees, including those serving in the Ukrainian Armed Forces, investment in a network of local bomb shelters and protection stations.
3	Disruption of logistics routes	Reduced EBITDA and production volumes, extended delivery times and increased contributions to operating capital	Vertical integration of the Group, product and geographical diversification of supplies, development of new alternative logistics routes, cooperation with international logistics companies and terminals, cooperation with the Ukrainian government

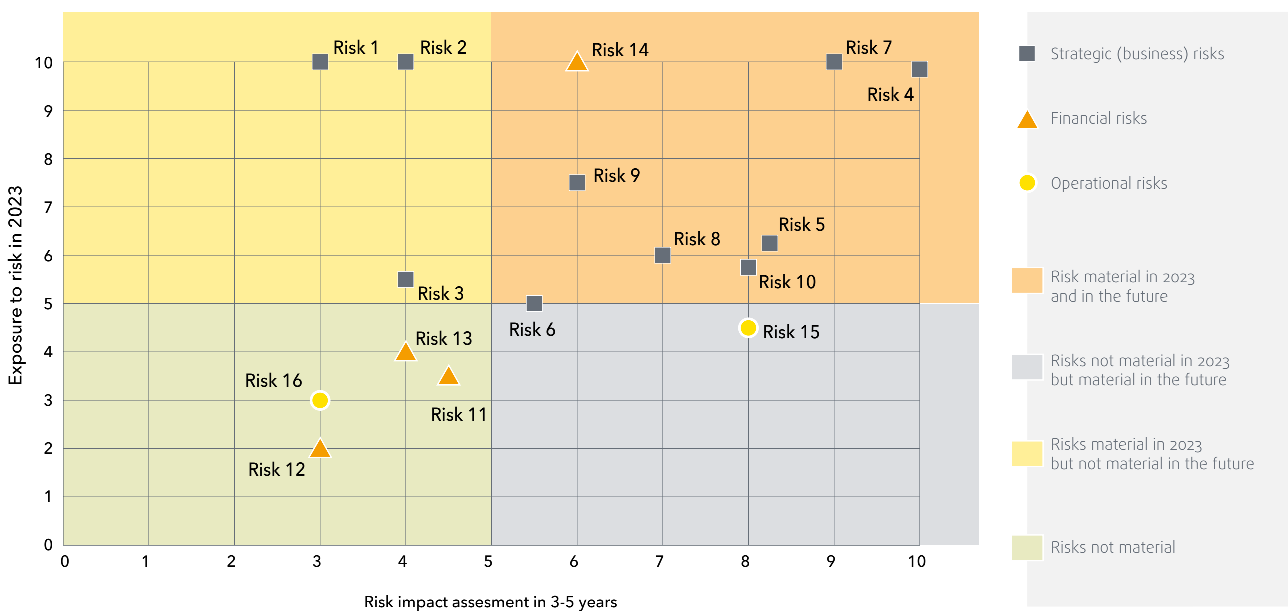
No.	Risk description	Potential risk exposure	Risk management
		Production and additional expenses risks	
4	Electricity supply and changes in its market price	Decrease in EBITDA and production volumes	Vertical integration of the Group (e.g., expanding the list of its own scrap metal collection bases), product and geographical diversification of supplies
5	Availability of scrap metal and changes in its market price		
6	Availability of natural gas and changes in its market price		
7	Labour cost and availability		Building a positive image in the labour market, providing employees with salaries no lower than the regional average, additional financial support for employees and their families during martial law and in the event of accidents, creating conditions for career development, working with the government to book key employees, and our own rehabilitation programme for demobilised employees.
		Risks in product sales	
8	Trade barriers and restrictions	Decrease in EBITDA and production volumes	Recruitment of qualified legal advisors to protect the Group's rights, a highly qualified team dedicated exclusively to anti-dumping cases, a transparent system of accounting for business transactions and cooperation with regulatory authorities.
9	Market risks		Vertical integration of the Group, product and geographical diversification of supplies, production of high value-added products (pipes with premium fittings and wheel sets), development of new advanced products.
		ESG risks	
10	Risks in the transition to low-carbon production	Increased negative environmental impact, penalties for environmental violations	Production of low-carbon steel, preparation for the development of the Group's ESG strategy, modernisation and replacement of heat treatment equipment, search for greener sources of electricity generation in procurement, replacement of raw materials with lower carbon content.
		FINANCIAL RISKS	
11	Currency risks	Decrease in EBITDA and production volumes	High share of exports of own products, optimal treasury policy taking into account the requirements of currency legislation
12	Liquidity risks	Insolvency on debt obligations	Optimal management of cash balances, substantial working capital, opening of revolving credit lines, cooperation with international banks and institutions.

No.	Risk description	Potential risk exposure	Risk management
13	Counterparty credit risks	Decrease in EBITDA and production volumes	Credit risk management, preliminary monitoring and negotiations with counterparties
14	Regulatory restrictions imposed by the National Bank of Ukraine on the servicing of external financial liabilities and shortening of currency repayment terms	Default on external financial obligations, decline in export sales	Cooperation with business associations to advocate for currency liberalisation by the National Bank of Ukraine
		OPERATIONAL RISKS	
15	Risks in analysing investment programmes	Excessively high investment with low profit after sale	Functioning of the Strategy and Investment Committee reporting to the Board of Directors, detailed and high-quality internal expertise and risk management in the development and approval of programmes, collaboration with leading global engineering companies
16	IT and information security risks	Cyberattacks, leaks of key business information, disruption of production processes	Organisation of additional communication channels, implementation of cyber threat detection and management systems and user identification, regular internal audits and cyber security training.

Given the need to rank all risks, we have assessed the potential impact and materiality of Interpipe's risks in 2023 and in the 3-5 year perspective. The evaluation was carried out by ranking on a point scale, where 1 is the minimum and 10 is the maximum value.

PICTURE 44.

Materiality matrix of key risks of interpipe group of companies



Russia’s unjustified and brutal military invasion of Ukraine has caused significant losses, disrupted the stability of the Group’s operations and put the health and lives of our employees and their families at risk. The main financial and material losses include expenses incurred during the shutdown of the Group’s operations, lost profits due to reduced production and sales volumes, and expenses for repairs already carried out and still required as a result of the shelling of the Group’s operations by Russia.

TABLE 6. LOSSES AND DAMAGE INCURRED BY INTERPIPE GROUP COMPANIES FOR THE PERIOD FROM FEBRUARY 24, 2022 TO MARCH 31, 2024 DURING THE FULL-SCALE RUSSIAN MILITARY OPERATION IN UKRAINE

Company name	Real losses, UAH million	Expenses required to restore property and property rights, UAH million
Meta LLC	0.7	-
Interpipe Dneprovtormet JSC	16.5	-
Dneprosteel LLC	271.8	-
PJSC Interpipe NTRP	64.0	1.2
Interpipe NMPP JSC	18.8	10.2
Interpipe Niko Tube LLC	315.7	25.5
Interpipe Ukraine LLC	72.7	-
Society Dishware Novomoskovsk LTD	16.5	0.8
Transkom Dnepr LLC	1.2	-
Interpipe Management LLC	2.1	-
Dneprosteel Energo LLC	0.3	-
Vallourec Niko Tube LLC	15.7	-

The safety and well-being of the Group’s employees and their families, the support of the local communities in the regions of operation and the employees defending our country against Russian aggression have always been and remain the priorities of the Interpipe Group. For more information on assistance to the military, staff and local communities, see in the section Impact on local community development.

INTERPIPE

The Group's contribution to sustainable development

2023

CORPORATE ETHICS AND COMPLIANCE

ETHICAL BEHAVIOUR IN THE WORKPLACE

Interpipe Group is guided by the principles of responsible business. We are committed to acting with efficiency and integrity in all aspects of our business and commercial relationships, and to implementing effective systems to combat unethical behaviour, corruption and other violations.

To this end, the Group has policies and standards for ethical and responsible business conduct. In particular, they are:

Personal Data Protection Policy
(adopted in 2019)

Anti-Corruption Policy
(adopted in 2013, updated in 2021)

Code of Ethics
(adopted in 2021)

Equality, Diversity and Inclusion Charter
(adopted in 2021)

Responsible Procurement Charter
(adopted in 2021)

Anti-Corruption and Ethics Compliance Programme
(developed in 2023 and approved in 2024)

All existing policies have been approved by the Group's Board of Directors and, where appropriate, by the governing bodies of each legal entity. These policies are publicly available on the official website at https://interpipe.biz/esg/governance_and_ethics/code_of_ethics. They are based on the principles of the International Labour Organization convention and the UN Global Compact.

We do not use child, forced or illegal labour and ensure fair treatment of employees and freedom of expression and association. Responsible business conduct is regularly discussed at senior management meetings. Topics of discussion include environmental planning of production, the impact of investments on the Group's operations, cooperation with local communities and government agencies, and other relevant issues.

The process of eliminating negative consequences involves notifying the Group's management, analysing the information received and making appropriate decisions. The Group adheres to the principle of preventive action (including in the planning of its operations) in order to reduce negative environmental, economic and social impacts. Our suppliers and their counterparties throughout the supply chain are committed to taking steps to continuously reduce their environmental impact.

In addition, the Group of companies adheres to the principle of fair competition, which is an integral part of development. It is important for us to maintain the confidentiality of technical, commercial and financial information and to protect personal data in accordance with applicable laws and regulations.

The Interpipe Group is committed to preventing any form of corruption and to ensuring the accuracy and transparency of all financial information disclosed. We build our relationships with our partners and subcontractors on the basis of mutual trust and pay top priority to transparent sourcing.

Fair and legal business practices and the high quality of our products and services are among the Group's top priorities.

The norms, values, principles and standards of ethical behaviour of employees apply to all Group enterprises. All commitments made by the Group are communicated to employees, business partners and other stakeholders, including through the publication of information on the Group portal and through normal business processes. We also encourage employees to study codes and policies, conduct trainings and webinars on ethical and responsible business conduct, including respect for human rights. All levels of management – from the Chief Compliance Officer to the Board of Directors – are responsible for ensuring that employees implement and adhere to the Group's ethical standards.

We encourage employees to study our internal codes and policies. Employees are required to attend online training sessions and webinars. We evaluate the results and quality of this training every two years (or more often if necessary) through surveys and tests.

The Interpipe Group of companies also has a mechanism for submitting complaints and suggestions on ethical and responsible business conduct to a single trust line: https://interpipe.biz/esg/governance_and_ethics/trustline.

Any stakeholder can send their complaints to this line. All issues are referred to either the Chief Compliance Officer or the Economic Security Service. Employees can also contact the Chief Compliance Officer by email. The investigation is conducted in accordance with the requirements of applicable confidentiality laws. All information obtained during the investigation is passed on to the responsible persons. The Group treats all whistleblowers fairly. Once the issue has been processed, the applicant will receive appropriate advice on their application.

PRACTICES OF THE CORRUPTION PREVENTION GROUP

Combating corruption and fraud is part of Interpipe's corporate culture. Economic crimes damage the Group's operations and reputation and promote corruption. The Group has an Anti-Corruption Policy developed by the Economic Security Service (ESS). It sets objectives and targets in the fight against bribery, abuse of office, embezzlement, illicit enrichment, and dubious financial transactions. The Anti-Corruption Policy applies to all instances of, or suspicion of, any of the above violations involving the Group's employees, suppliers of products and services, employees of contractors and other third parties. Anti-corruption provisions are also contained in the Responsible Procurement Charter and the Code of Ethics. The Head of the ESS and the Chief Compliance Officer are directly responsible for managing anti-corruption issues.

All employees and external business partners of the Interpipe Group were made aware of the anti-corruption policies and procedures in 2023.

Our objective is to prevent, deter and detect corrupt acts and omissions. Such cases are investigated and brought to a logical conclusion, including, if necessary, legal action, disciplinary or criminal liability. During investigations, the length of service, positions of suspects, and their connections with Interpipe Group of companies are not taken into account.

The Group identifies and periodically updates corruption risk indicators specific to its operations and business processes. In 2023, we assessed the corruption risks of suppliers and contractors (both Ukrainian and foreign). Based on the results of this assessment, certain counterparties have been excluded from the list of counterparties permitted to do business with Group entities.

In addition, we develop and implement corruption prevention procedures in line with the identified risks and monitor their compliance. The Group regularly conducts internal and external audits of its financial and business operations, verifying the completeness and accuracy of accounting records and compliance with applicable laws and internal policies (including the Anti-Corruption Policy).[1]

The Group of companies has a mechanism for assessing the quality of the anti-corruption management system. The Economic Security Service, the Chief Compliance Officer and the Controlling Department submit annual reports to the CEO and, if necessary, to the Board of Directors. Decisions on further action are made on the basis of such reports. Furthermore, a series of measures have been introduced and are being implemented on an ongoing basis in this area:

A set of measures designed to compensate material damage caused by embezzlement, misappropriation, fraud, theft, and other illegal activities.

Assistance to the Group's divisions in reducing costs (including procurement, sales, production, repairs, security, communications, transportation, etc.).

Prevention of illegal activities by the management of the Group or by third parties or organizations.

Identifying facts of illegal activities for which a person may be held administratively or criminally liable.

Furthermore, in order to prevent or eliminate any potential corruption risks, the following measures have been implemented:

- Dissemination of information to all employees regarding the potential consequences of non-compliance with anti-corruption legislation and the Group's policies;
- Forfeiture of bonus payments;
- Transfer of case files on violations to the relevant state authorities and monitoring of the progress of such cases;
- Filing of lawsuits with the courts;
- Cooperation with government agencies as needed.

In 2023, Interpipe Group and its employees were not involved in any legal proceedings related to corruption.

In comparison to the preceding year, the number of confirmed cases of corruption in 2023 (***Table 7***) showed a notable decrease. In the reporting year, 6 employees were held liable (44 in 2022), and in one case, criminal proceedings were initiated against a contractor's representative (5 in 2022) and a verdict was reached.

In the event of a violation, all employees are duly informed of the incident through corporate newsletters and newspapers. The communication includes a full description of the violation, a reiteration of the unacceptability of violating the Group's rules and policies, and of the legislation.

TABLE 7. CONFIRMED CASES OF CORRUPTION AND THE CORRESPONDING MEASURES TAKEN IN 2023

No.	Indicator	Number of cases
1	Number of employees dismissed for involvement in corrupt practices	6
2	Number of employees held accountable:	6
	- Administrative liability	*6*
	- Criminal liability	*0*
3	Number of contracts with counterparties that were either terminated or not renewed	2
4	Criminal proceedings initiated	1

The Group has established a procedure for the submission of complaints and proposals aimed at combating corruption. All employees have the option of contacting the hotline directly, either through the Security Service managers or through their respective supervisors. No such complaints or suggestions were received in 2023. The primary goal of anti-corruption initiatives in 2024 is the prevention of corruption crimes and incidents.

1 Anti-Corruption Policy ***https://interpipe.biz/upload/1959cf81ec36ff6a53137da48a37be2d.pdf***

ANTI-COMPETITIVE BEHAVIOUR COUNTERMEASURES

The Group adheres to the antitrust legislation of Ukraine and other jurisdictions in which it engages in business activities, as well as relevant international antitrust laws and regulations. The Group acknowledges that private enterprise and free competition are the most effective means of resource allocation and the production of high-quality goods.

The Anti-Corruption and Ethics Compliance Program[2], developed in 2023, prohibits employees from engaging in anti-competitive behaviour, including, but not limited to, the following:

- **Setting maximum prices** for products or services
- **Boycotting** customers, suppliers, or vendors
- **Distributing markets or customers** among competitors
- **Organizing a conspiracy** to exclude competitors or customers from the market
- **Rigging** bids, rotating applications, **or distorting** the process of open or closed bidding/auctions
- **Disclosing the** Group's research and development, sales or marketing **plans** or confidential product, development or manufacturing strategies

The responsibility for the management of anti-competitive behaviour issues falls upon the CEO, the Legal Support Service, and the Security Service. In addition, the Group's compliance with antitrust laws in all jurisdictions in which it operates is reviewed on an ongoing basis, but at least once every six months. We regularly inform all internal stakeholders about the inadmissibility of violating anti-competitive behaviour.

In 2023, the Group was not engaged in any legal proceedings related to anti-competitive behaviour or violations of antitrust regulations.

During the reporting period, no complaints pertaining to anti-competitive behaviour were received via the hotline.

2 Interpipe Anti-Corruption and Ethics Compliance Program, https://interpipe.biz/upload/457bf110388e5ea81d9a630f7959d804.pdf

GROUP PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

APPROACH TO PROCUREMENT MANAGEMENT

Interpipe Group adheres to the principles of social and environmental responsibility in its procurement practices. The Group's ***Responsible Procurement Charter*** sets forth the ethical standards and requirements that suppliers are obliged to adhere to, including those related to anti-corruption, human rights, labour standards, health and safety, and environmental protection. Furthermore, Interpipe Group adheres to a set of internal regulations and policies governing the management of procurement activities, which are subject to periodic updates.

Any counterparty of Interpipe Group may file a complaint with the hotline of the Economic Security Department. We investigate any such complaint and provide feedback. Furthermore, a hotline has been established for the purpose of addressing concerns related to scrap metal. This hotline allows suppliers to submit anonymous reports and complaints. The aforementioned complaints are subject to a joint review by the Group Executive Committee, the CEO, the Chief Commercial Officer and the Chief Operating Officer. Interpipe Group maintains regular communication with stakeholders on procurement issues, including:

- **meetings with scrap-generating organizations** such as Ukrzaliznytsia (Ukrainian Railways) and Ukroboronprom (Ukrainian Defense Industry) to organize and coordinate supplies;
- **participation in meetings with the Ministry of Environment** on the implementation of Law of Ukraine "On Waste Management."

Interpipe Group employs a variety of targets, metrics, and indicators to evaluate the effectiveness of its procurement strategies and operations. In particular, they include mandatory checks of the ultimate beneficiaries of all counterparties for links to the aggressor country, other sanctioned jurisdictions and compliance with international and local sanctions restrictions. They also include checks for compliance with the Law of Ukraine "On Prevention and Counteraction to Legalisation (Laundering) of Proceeds from Crime, Terrorist Financing and Financing of the Proliferation of Weapons of Mass Destruction" and sanctions legislation.

The procurement management system is based on the centralization of all procurement activities for the Group's production needs and the distribution of specific types of procurement according to the functional requirements of internal customers. The procurement of the most costly resources for the production of finished goods is subject to separate control. These resources include scrap metal, electricity, and natural gas. The diagram depicts the officials responsible for controlling the specific types of procurement:

PICTURE 45.

Structure of responsibilities for the management of the Group's procurement and the evaluation of suppliers

Commercial Director of JSC Interpipe Dneprovtormet	Scrap metal
Director of Dneprosteel Energo LLC	Electricity
CEO, CFO, Director of Pipe Products Division Interpipe Ukraine LLC	Natural gas
Director of Procurement and Logistics of Interpipe Ukraine LLC	Commodities and materials, and services
Communications Director of Interpipe Ukraine LLC	Marketing and Advertising Department procurement
Head of Information Technology Department of Interpipe Ukraine LLC	Information Technology Department procurement
HR Director of Interpipe Ukraine LLC	Human Resources Department procurement

The Group exercises due diligence in monitoring the sources of origin and production conditions of purchased raw materials and products. For example, when procuring electricity, when procuring electricity, we require suppliers to provide a written certification attesting to the origin of the electricity. When purchasing goods, works and services, the Group requires certificates of quality and origin. Furthermore, we conduct audits of suppliers and contractors to ensure production conditions and product quality meet our standards.

We collect information from suppliers regarding the sources of scrap metal from dismantling facilities. The quality of each batch received is monitored by acceptance and origin certificates. In addition, the Direct Deliveries Regulations have been established to govern the terms and procedures for accepting scrap metal. Interpipe Group meets all government standards and technical requirements, as outlined in our supplier specifications.

The quality of purchased scrap metal is assessed on the basis of a number of factors, including:

- **Chemical and technical indicators,** which are checked daily through incoming inspection, including measurements and spectral analysis of indicators;
- Analysis of the chemical composition of steel and the effect of scrap on steelmaking performance;
- Analysis of **economic indicators**, such as the correspondence of prices in the domestic and foreign markets.

Interpipe Group establishes budgetary and planned targets for the purchase of scrap metal in terms of both quantity and value. The aforementioned indicators are integrated into the key performance indicators (KPIs) of the procurement department, the commercial director, and other departments, including production and logistics. In 2013, the Group introduced special programs to stimulate scrap procurement by providing direct financing to the scrap metal supplier. In order to address the challenges posed by the scrap shortage, Interpipe is implementing a strategy of expanding the number of regional billet shops. Furthermore, the Group has developed a program for the targeted collection and use of scrap metal with highly pure chemical properties, with the objective of replacing cast iron and ferroalloys.

In 2023, the Group continued to address the significant procurement challenges posed by Russia's full-scale military operation in Ukraine. These include rising prices for goods, materials and services, supply chain disruptions, and logistics issues due to the blockade of ports and borders. To address these issues, the Group is seeking alternative suppliers, improving operational efficiency, developing new logistics schemes, etc:

PICTURE 46.

Key procurement challenges that the Group faced in 2023 and solutions to address them

		Risk		Ways to address the risk
Increase in prices for commodities and materials, and services	=	Increased production costs and decreased profitability	→	Finding alternative suppliers, taking steps to improve operational efficiency
Supply chain disruptions due to hostilities	=	Limited access to resources and increased transportation costs	→	Replacement of suppliers in areas of conflict with new suppliers from within or outside the country
Destruction of standard logistics schemes due to port blockades	=	Delivery delays and production schedule disruptions	→	Development and implementation of new logistics schemes for the delivery of raw materials and finished products
Extreme power price volatility	=	Volatile power costs and increased production costs	→	Move to long-term contracts with acceptable and predictable power prices
Possible shortage of scrap metal	=	Production delays and raw material shortages	→	Expanding and securing the supply base for the metal products
Delivery of explosive items	=	Deterioration in product quality and safety	→	Strengthening incoming control and increasing in-house processing
Strong scrap exports from Ukraine	=	Reduced availability of raw materials and increased procurement costs	→	Legislative measures to increase duties
Compliance with new waste management regulations	=	Failure to comply with legal requirements and fines	→	Adaptation to the requirements of the Law of Ukraine "On Waste Management" and implementation of own waste management programs
Meeting the production support plan	=	Market share and revenue loss	→	Implementation of market share retention and production efficiency improvement measures

The Group employs a variety of strategies to mitigate potential risks associated with procurement activities. These include:

- Exclusion of unscrupulous counterparties;
- **Control of the sources of scrap metal**, avoidance of collaboration with questionable suppliers that may introduce risks to the quality or ethical standards of production;
- **Expansion of the regional network of scrap shops**, which offers supplementary sources of scrap metal and mitigates the risk of raw material shortages.

Despite all the challenges, the Group persists in implementing strategies aimed at reducing the consumption of resources, including electricity and natural gas. The regulations that govern the procurement process are revised on an annual basis in order to reflect the evolving realities of the field. Furthermore, employees are required to participate in regular training programs designed to enhance their professional competencies. The Institute of Postgraduate Education in Dnipro provides ongoing training for professionals engaged in the field of scrap inspection, encompassing both ferrous and non-ferrous workers.

The Group continued to implement a production planning system based on the IT Enterprise System. The objective of this project is to enhance the efficiency of procurement activities by automating business processes and providing a comprehensive overview of the procurement process. The Group persists in implementing projects to introduce electronic document management with carriers and transfer the procurement of maritime logistics services to an electronic tender platform.

In 2023, the Group made 86,040 purchases with a total value of UAH 17.6 billion.

The main objectives of the Group in this area are as follows:

PICTURE 47.

Procurement management plans and objectives of Interpipe Group

1	2	3	4
Increase the percentage of suppliers who have signed the Sustainable Procurement Charter and completed the ESG questionnaire.	**Continued purchase of green power**	**Reduced gas consumption**	**Implementation of the provisions of the Law “On Waste Management” in the field of scrap metal**
The Group plans to increase the number of suppliers supporting sustainable development and environmentally responsible practices from 15% to 30% by 2025	The Group’s objective is to maintain its policy of purchasing electricity from renewable sources (nuclear/hydro) in order to increase the proportion of green generation.	The Group plans to reduce natural gas consumption	The main objective is to implement the requirements of this law for effective waste management in the context of scrap metal.

INTERACTION WITH SUPPLIERS

Interpipe Group is dedicated to fostering a socially responsible approach across the entire value chain and maintaining positive business relationships with suppliers.

PICTURE 48.

Responsibilities of Interpipe Group towards its suppliers[3]

Fair and equal treatment of suppliers	Anti-corruption measures	Supplier efficiency improvement and local community
Economic dependency rejection	Transparency and communication	Confidentiality

To guarantee effective collaboration and address potential concerns with scrap metal suppliers (98 suppliers in 2023), JSC Interpipe Dneprovtormet, engages in meetings at the management level, visits to suppliers' production sites, and participation in conferences and public organizations. Prior to entering into a contract, the potential risks associated with working with a scrap metal supplier are assessed in accordance with the Group's internal regulations and Ukrainian legislation. The dialog with scrap suppliers is based on a tripartite framework consisting of annual contracts, monthly supply plans and participation in open auctions.

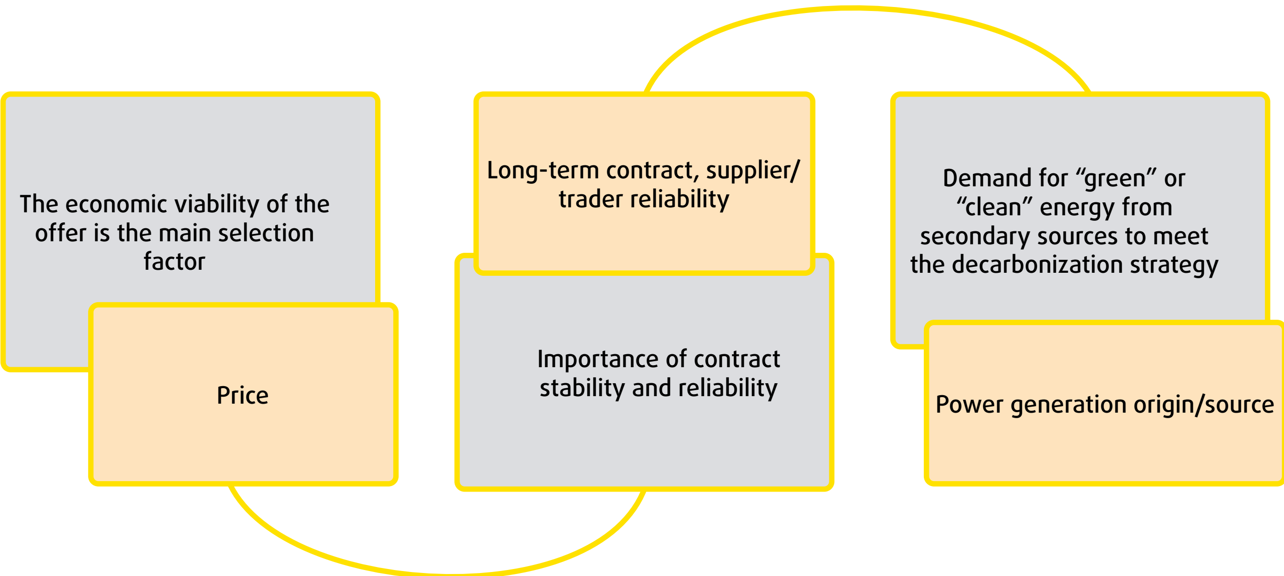
The preferred natural gas supplier of the Group is NJSC "Naftogaz of Ukraine."

The selection of electricity suppliers (275 suppliers in 2023) under bilateral contracts is conducted through participation in auctions held on the platform of the Ukrainian Energy Exchange (UEEX) or through direct contracts with private traders/electricity suppliers.

The choice of electricity supplier is made on the basis of the following criteria:

PICTURE 49.

Key criteria used by the Group for the selection of an electricity and gas supplier



3 A detailed account of the responsibilities can be found in Interpipe Group's Responsible Procurement Charter, accessible via the following link: https://interpipe.biz/upload/4dd0105bdb9144298027d8f5d5c732c4.pdf

When selecting suppliers for the purchase of inventory and services (1,433 suppliers in 2023), we are guided by procurement policies and regulations, as well as specific quality management system documents. All communication regarding the procurement of goods and materials, services, the procurement of marketing and advertising, information technology, and human resources departments is conducted via an internal electronic tender platform.

New suppliers are selected using a variety of methods, including:

- **Technical audits** to assess the technical capabilities and quality of spare parts;
- Accreditation on an internal electronic platform;
- **Evaluation of compliance with procurement criteria** for goods and services established for participants in procurement processes;
- Analysis of scrap sales offers on **electronic trading platforms**;
- Direct contact with industrial companies and organizations;
- Participation in meetings and gatherings of scrap producers.

The main categories of goods procured by the Group from local suppliers in 2023 include ferroalloys, fuel, spare parts, metal products, wooden containers, rolling tools, personal protective equipment, oils, bearings, scrap metal, electricity, and natural gas. The primary categories of purchases from overseas suppliers are refractories, components, cutting tools and paint and varnish products.

Local suppliers are evaluated according to three principal criteria: their own production capabilities, the availability of their production sites, and the process they employ to maintain product quality. In the reporting year, 76,700 purchases were made from local suppliers for a total of UAH 14.2 million.

During the reporting period, all new suppliers were assessed according to social and environmental criteria prior to entering into a contract. A total of 186 suppliers underwent assessment.

81% of the total procurement budget was allocated to local suppliers in 2023[4];

89% of the Group's total purchases in 2023 were sourced from local suppliers.

4 The term "local suppliers" refers to suppliers with a physical presence in Ukraine.

EMPLOYEES OF THE GROUP AND THEIR WORKING CONDITIONS

EMPLOYEES OF THE GROUP

HR MANAGEMENT SYSTEM

The success of Interpipe Group depends on its employees. The Group's human resources management system is designed to facilitate long-term investment in human capital, foster a fair and positive working environment, and support the professional growth of each employee. It is the Group's policy to recognize the importance of building trusting relationships and protecting labour rights, which are the basis for the stability and efficiency of our activities. The HR Director is responsible for the management of HR issues within the Group. In this area, the Group is guided by a set of internal policies, codes, regulations, standards, instructions, etc. The following are the main ones:

- Code of Ethics;
- Human Resources Policy;
- Compensation Policy;
- Regulations on the Procedure for Recruiting, Hiring and Dismissing Personnel;
- Collective Bargaining Agreement;
- Internal Labour Regulations;
- Regulations on the Procedure for Providing Material and Social Assistance to Employees;
- Regulations on General Terms of Payment and Bonuses;
- Regulations on the Procedure for Bringing Employees to Disciplinary Responsibility.

We comply with all legal requirements and international best practices in human resources management. This ensures transparency and fairness in all processes related to recruiting, hiring, training, development and performance evaluation of employees. The human resources management principles of the Group include a commitment to diversity, social assistance to employees, and the development of a corporate culture that fosters employee motivation and engagement. Interpipe Group undergoes annual certification audits of its quality management systems. These audits encompass an assessment of the Group's human resources management processes in accordance with a range of standards, including IRIS, Ecovadis, Bonitrans, DSTU ISO 9001 (ДСТУ ISO 9001), and other standards.

In order to assess the effectiveness of its human resources management strategies and metrics, the Group monitors employee productivity and turnover, personnel costs and employee achievement of key performance indicators (KPIs). To manage the risks associated with a lack of qualified personnel, each Group company has implemented a talent pool program aimed at developing candidates for management positions. This strategy serves to mitigate the risks associated with unexpected dismissals. We provide opportunities for employee development.

All information, accounting, and HR management operations are conducted via the IT Enterprise ERP system. We are dedicated to ongoing improvements to this system, including the human resources management module. Furthermore, in 2023, the timekeeping automation project was expanded to encompass all Interpipe Group assets.

All Group companies adhere to a transparent recruitment and hiring procedure, conducted in accordance with all applicable legal requirements and the internal Charter on Equality, Diversity and Inclusion. Some of the key approaches that the Group has taken in this area are as follows:

- **Attraction of potential employees:** Information regarding current job openings is available on the Group's official website and on external online platforms. Candidates for middle and senior management positions are selected through an open and competitive process. Candidate requirements are determined based on the required skills and education levels as outlined in job descriptions and qualification guides.

- **Employee retention:** The Group fosters an engaging and supportive work environment that provides opportunities for career advancement and professional growth. The Group also employs effective motivation and reward strategies.

The Group keeps its employees informed and involved in management decision-making process through interaction with the trade union, management working meetings with employees, a corporate newspaper, a corporate portal, and a chatbot. Employees can use a confidential hotline and mailbox to submit requests, complaints, and suggestions, as well as ask questions at work meetings. Interpipe Group is committed to addressing any complaints or suggestions it receives in a constructive manner. The action mechanism comprises the processing of complaints, the provision of feedback, the improvement of processes, and the resolution of issues.

We are actively engaged in efforts to enhance the quality of social dialog between employers and employees. In the event of significant operational changes within the company that may have a significant impact on employees, the latter are duly informed at least two months in advance. Similarly, trade unions are informed at least three months in advance. However, during the period of martial law, employees shall be informed no later than prior to the introduction of such conditions, since during this period the provisions of Article 32(3) of the Labour Code of Ukraine and other laws of Ukraine on informing employees about changes in essential working conditions do not apply (Article 3(2) of the Law of Ukraine "On Organization of Labour Relations under Martial Law" No. 2136 dd. December 24, 2023).

Should one of the parties to the negotiation process request it, the Group's companies and employees may enter

into a collective bargaining agreement. In this case, it applies to all employees of the Group company. By the end of 2023, collective bargaining agreements had been concluded at a number of Interpipe companies, including Interpipe NTRP PJSC, Interpipe NMPP JSC, Interpipe Niko Tube LLC, Dneprosteel LLC, Society Dishware Novomoskovsk LTD and Interpipe Dneprovtormet JSC. In companies that are not subject to a collective bargaining agreement, labour and social relations are governed by other documents and regulations established by the Group. The current collective bargaining agreements for the Group's companies:

- outline the structure, system, and amount of **remuneration**, including monetary rewards, benefits, compensation, and additional payments; set out the terms and procedures for salary payments, payments for forced downtime, and the mechanism for adjusting remuneration in line with inflation;
- set out the **length of the working day and periods of rest**, as well as basic and additional vacation entitlements and the arrangements for working irregular hours;
- outline the procedure for providing **social and financial assistance** to employees and their families, additional vacation days, donor benefits, vacation vouchers, transportation of employees to and from work, and the procedure for providing assistance to pensioners who are former employees.

Regular meetings and conferences of the employees of the Group are held in order to evaluate the quality of the planned activities. In the event of the expiration of the collective bargaining agreement, the parties are obliged to inform each other of the commencement of negotiations no later than three months prior to such expiration. The procedure for conducting such negotiations and for concluding or amending a new agreement shall be determined by the parties and documented in an appropriate protocol.

A committee composed of representatives of the parties shall be established for the purpose of negotiating and drafting collective agreements and contracts, giving due consideration to all proposals. Negotiators are provided with all necessary information regarding the content of the collective bargaining agreement. Negotiations may be suspended in order to conduct consultations, studies, and obtain the necessary data to develop appropriate solutions and reach compromises. It is not within the authority of a negotiator to disclose information that is a state or trade secret, or to sign the relevant obligations.

In the 2021-2022 period, the collective bargaining agreement covered 91% of the Group's employees. In 2023, this figure had risen to 92%.

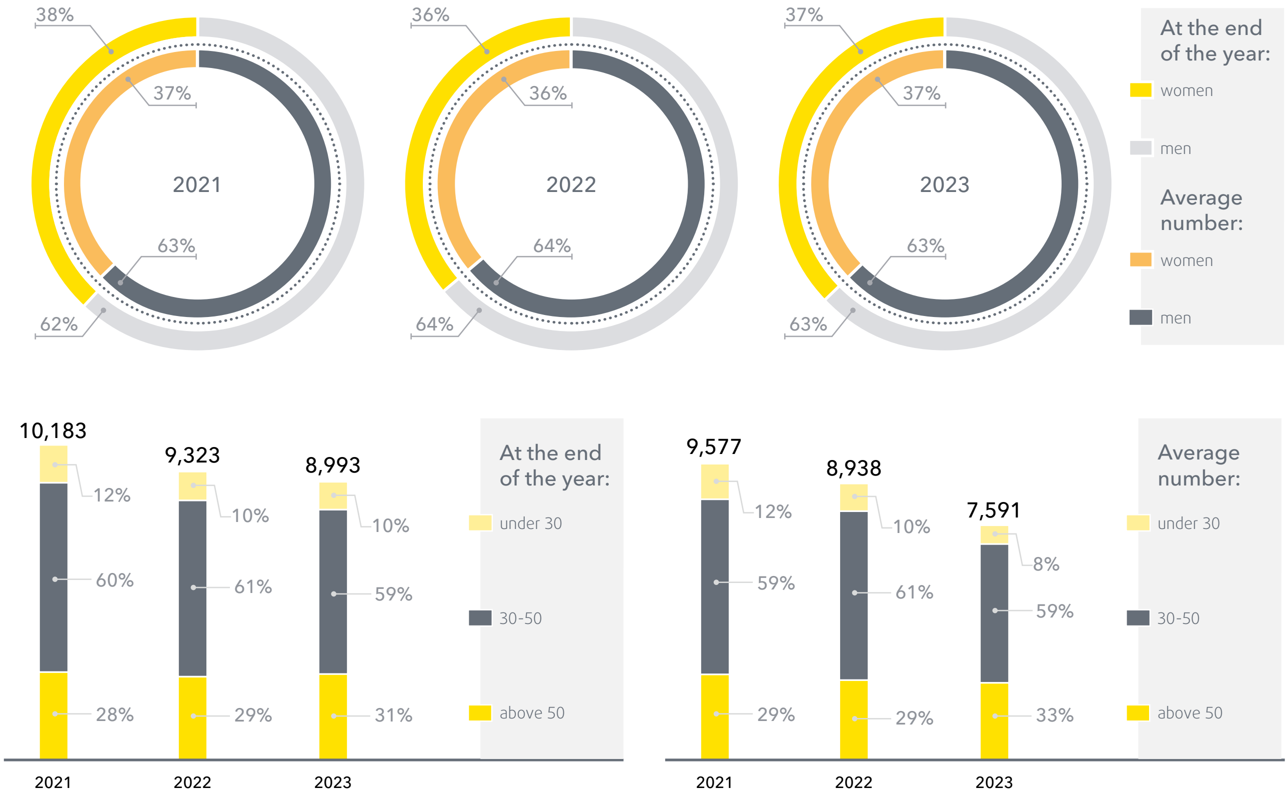
In 2023, the Interpipe Group faced the most significant challenge in the field of human resources management, namely the migration of the workforce and the organization of production processes at the Nikopol industrial site of Nikopol. This site is under constant threat of being shelled due to Russia's full-scale military operation in Ukraine. In light of the current challenges, we are firmly committed to providing comprehensive support to our employees. This includes the provision of additional evacuation shelters at workplaces, the safe evacuation of employees' children, and the facilitation of remote working arrangements for those who are able to do so. The Group continues to provide support and assistance to employees affected by the war.

NUMBER OF EMPLOYEES[1]

As of the end of 2023, the total number of employees of Interpipe Group decreased by 3.6% compared to the previous year, reaching a total of 8,993 people. The majority of our employees are based in the Dnipro facilities (4,907) and the head office (681). By gender, men make up 63% of the total workforce at the end of 2023.

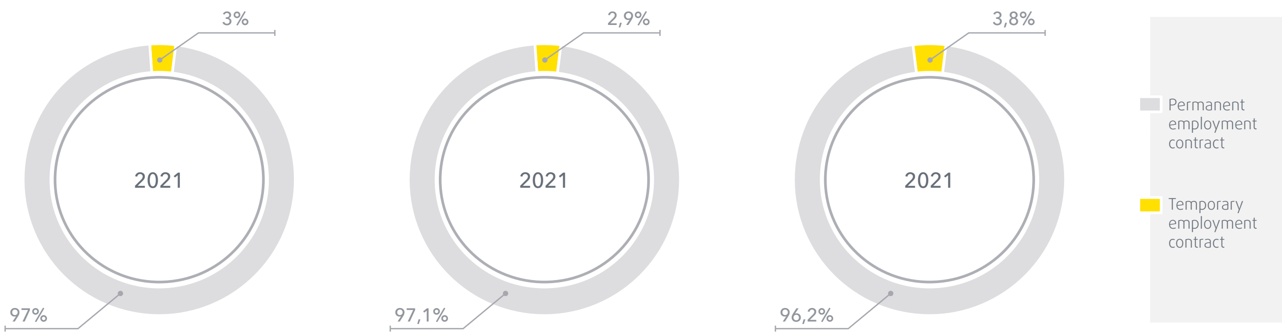
1 All quantitative data on the number of employees for 2021-2022 differ from those published in the Interpipe Group Annual Report for 2022. This is due to the fact that the total number of employees for the current reporting period includes the employees of the Research and Testing Centre "Yakist" LLC.

PICTURE 50. Number of employees by age and gender, %

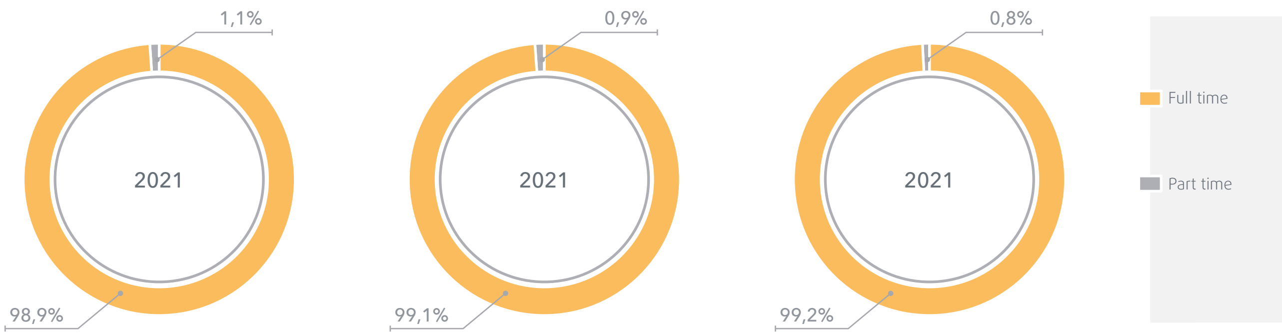


As of the end of 2023, 96% of employees were on permanent contracts, representing a 0.9% decrease from the previous year. Furthermore, approximately 99.2% of the Group's employees are employed on a full-time basis.

PICTURE 51. Number of employees by type of employment contract as of the end of the year, %



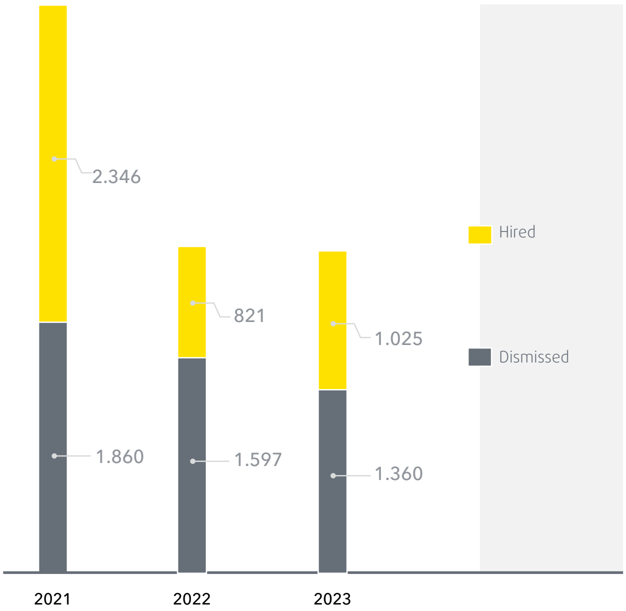
PICTURE 52. Number of employees by type of employment as of the end of the year, %



In 2023, the number of employees increased by 204 people compared to 2022, reaching a total of 1,025 people (831 people in the previous year). In the same period, 1,360 employees were laid off, representing a 14.8% decrease from 2022. The employee turnover rate was 17.92%, slightly higher than in the previous period.

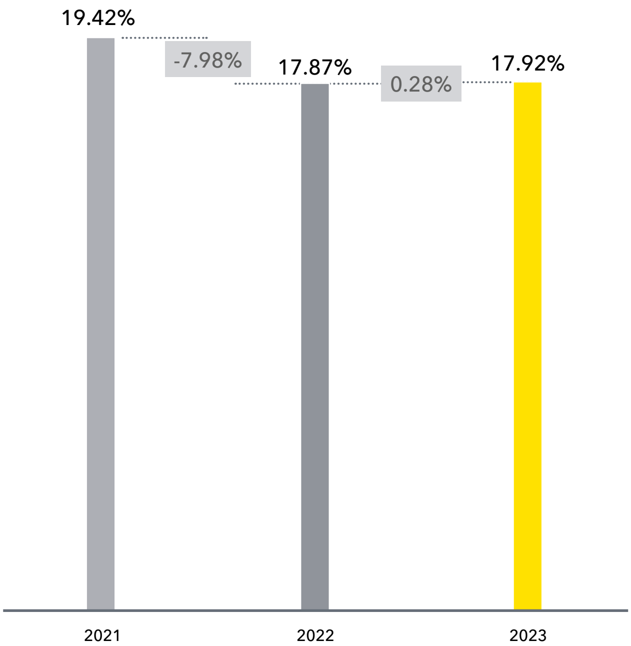
PICTURE 53.

Number of employees hired and dismissed



PICTURE 54.

Employee turnover (for the entire Interpipe Group) for the years 2021-2023, %.[2]



EMPLOYEE SUPPORT AND SOCIAL ASSISTANCE

We offer competitive compensation packages to our employees, including incentives such as salaries, bonuses and other financial rewards. The Group's bonus system is based on the achievement of key performance indicators (KPIs) by each employee. The bonus amount and schedule are determined based on the position and functional responsibilities.

We offer a comprehensive range of non-financial incentives to motivate our employees, including additional vacation time, flexible work schedules, opportunities for professional development and higher education, career development planning, corporate transportation, meal discounts, laundry services, and support for employees' families, including evacuation of children to safe places for recreation at the Group's expense.

Upon the decision of the relevant management bodies, Interpipe Group also provides allowance to employees in the following cases:

- illness of employees and their family members,
- death of a mobilized employee or a mobilized family member of an employee who defended Ukraine as a member of the Armed Forces of Ukraine,
- death of an employee or a veteran of the company,
- destruction of housing due to shelling.

Interpipe Group is committed to the well-being of its employees and offers a range of social benefits to support their needs. All employees, regardless of employment status or contract type, are entitled to a range of benefits, including statutory holidays, healthcare vouchers for themselves and their children, food subsidies, health and disability insurance, and pension benefits. The Group provides its employees with comprehensive medical and life insurance coverage. In 2023, approximately 48% of employees were covered by health insurance. Furthermore, the Group offers equal parental leave to both male and female employees, in compliance with all applicable laws and regulations.

PARENTAL LEAVE

In 2023, 655 employees took advantage of the parental leave program, an increase of 22% over the previous year. In addition, during the reporting period, 371 women and 79 men returned to work after taking parental leave. Of these, 341 women and 70 men were still employed 12 months after their return.

In 2023, 100% of employees who were expected to return from parental leave started working.

2 The Group's employee turnover rate is calculated as the ratio of the number of employees who left the company, excluding transfers within the Group, to the average number of employees.

TABLE 8. NUMBER OF EMPLOYEES TAKING AND RETURNING FROM PARENTAL LEAVE IN 2021-2023, PEOPLE

Indicator	Women			Men		
Year	2021	2022	2023	2021	2022	2023
Number of employees entitled to parental leave in the reporting year	1,902	1,684	1,874	424	406	348
Number of employees who took parental leave during the reporting year	495	438	568	110	100	87
Number of employees who were required to resume their duties at the conclusion of the parental leave period	407	365	371	110	100	79
Of this group, number of employees who did, in fact, return to work following the end of their parental leave	395	351	371	110	98	79
Of this group, the number of employees who will remain employed by Interpipe Group over the next 12 months	375	332	341	87	93	70
Return-to-work rate[3]	97.05%	96.16%	100.00%	100.00%	98.00%	100.00%
Employee retention rate[4]	96.40%	84.05%	97.15%	89.69%	84.55%	71.43%

INCLUSION AND DIVERSITY

The Group has reviewed its approach to promoting inclusion and diversity in light of the ongoing war in Ukraine. We continue to focus on developing individual skills, fostering an inclusive environment and identifying progressive solutions.

Key diversity and inclusion principles are set out in the Group's Equality, Diversity and Inclusion Charter and the Group's Code of Ethical Conduct. These policies are disseminated through regular training sessions and accompanied by knowledge tests. The Directors of Human Resources, Environmental and Occupational Safety, Communications, and Legal Affairs are responsible for the management of issues in this area.

The Group strives to be a model of diversity and inclusion and to uphold the principles of the UN Global Compact, including those relating to human rights and anti-discrimination. We also support the Sustainable Development Goals, particularly the goal of gender equality and women's empowerment.

In the context of the ongoing conflict, the Ukrainian labour market has witnessed a notable increase in the number of female employees, and we encourage them to join our team of professionals. In accordance with legal requirements, the Group has established a list of occupations that do not require the movement of heavy objects. This has created an opportunity for women to enter these occupations. In Interpipe's online corporate newspaper, Stalevi Novyny (Steel News), we highlight the achievements of our female employees in traditionally male-dominated professions. [5]We also showcase the scientific and professional achievements of women who have contributed to the growth of our business and Interpipe Group over the decades[6].

In accordance with the Law of Ukraine "On the Fundamentals of Social Protection of Persons with Disabilities in Ukraine," the number of people with disabilities who are employed by the Group companies is at least 4% of the average number of employees. As of the end of 2023, the Interpipe Group employed 322 individuals with disabilities (338 employees in 2022). To ensure that work schedules and responsibilities meet the needs of employees with disabilities, we conduct individual interviews to discuss the terms of their employment. Additionally, the company provides employment opportunities for candidates from other socially vulnerable groups.

3 The return-to-work rate is defined as the ratio of the number of employees who have actually resumed their duties following the conclusion of parental leave to the number of employees who were expected to do so.
4 The employee retention rate is calculated as the ratio of the total number of employees who remained in their position for a period of 12 months following the conclusion of their parental leave to the total number of employees who returned from parental leave during the previous reporting period.
5 Stalevi Novyny (Steel News): ***Gender Equality Behind the Machine***.
6 Stalevi Novyny (Steel News): ***Women in Metallurgy***.

Interpipe Group addresses the individual problems and needs of employees related to the full-scale invasion, including the social reintegration of veterans. Nearly 1,000 Group employees decided to defend the country. We respect the decisions our employees make and endeavour to maintain contact and keep them informed of developments, sharing any difficulties they may face. The corporate news website published an article, "***Interpipe Defenders***," dedicated to our heroes. A dedicated Assistance Centre has been established to address the needs of mobilized Interpipe employees. The Centre's managers analyze the current situation of each soldier and offer targeted assistance. Interpipe Group delivered more than 12,000 thousand parcels to our military colleagues during 2 years of the full-scale war. During this period, we gathered a substantial number of stories from our colleagues, some of which were featured in the corporate online newspaper, ***Stories of Our Heroes*** and ***Stories of the Communications Workers***.

Artem Panchuk
city of Nikopol
Before the war, he worked as an apprentice roller at Interpipe Niko Tube's Tube Rolling Shop #7 as a rolling machine operator

"

My division was based near Kherson for about a year and then in the Avdiivka sector for the last three months. There were a lot of casualties. Only two people from my platoon are still in the ranks. It's really tough to lose your subordinates, especially when you've lived and fought side by side with them for a year. You're always worried about everyone, especially when they're on a mission. You've got to stay calm, stick with it, and make sensible decisions. My subordinate was shot twice in the morning but kept fighting for another day. He was lucky to have two walkie-talkies, one of them from Interpipe, which I gave him the day before. He had the Interpipe walkie-talkie on his chest. In the evening, he called me and said, "Tell the Company thank you - I was saved from another hole in my body."

In addition to the walking radios, Artem received a drone from Interpipe, which he calls the "eyes" of the division. The Group donated a pickup truck, which has already saved lives.

"

Oleksandr Bihun
He's been working as a galvanizer at the clutch and galvanizing section at Tube Threading Shop #1 at Interpipe Niko Tube's Dnipro site since 2016.

From the start of the war in my hometown of Kamianske, we got to work setting up a checkpoint. I wasn't looking to get involved in the fighting, but I was ready to answer the call when they needed me. On March 31, I passed my medical exam and sent my wife and young daughter abroad. After I was called up, I served in a regiment that protected strategic facilities in the Dnipro region. But I was always thinking about being on the front line. I had been asking to be transferred from the regiment that protects strategic objects to a combat unit for a while. I was really grateful to those who lost their lives, and I wanted the guys on the front line to see their families. That's how I ended up in the Donetsk region, in the Bakhmut district.

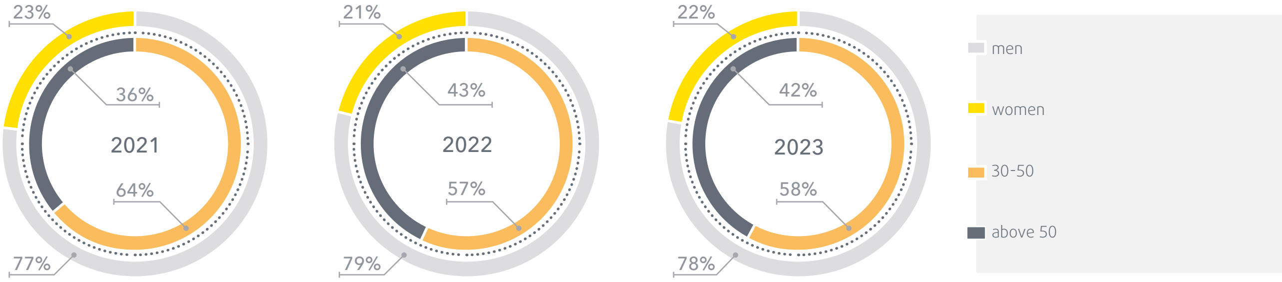
INTERPIPE provided me with a crucial item—plates for my armor. They proved their worth during the assault, withstanding ten bullets!

INTERPIPE GROUP EMPLOYEES

The corporate governance bodies of the individual Interpipe Group companies[7] are the Management Board and the Supervisory Board of each Group company. As of the end of 2023, 78% of representatives of these bodies were men, and 58% of members fell within the 30 to 50 age range.

PICTURE 55.

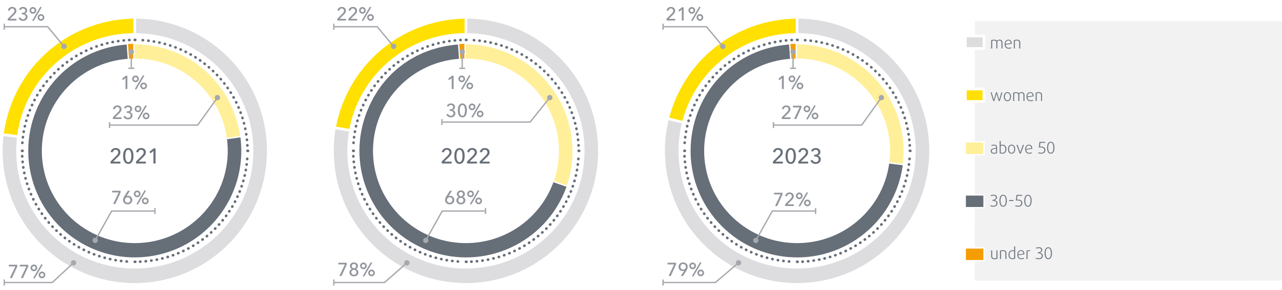
Structure of corporate management bodies by age and gender as of the end of the year



The management bodies of individual legal entities comprise directors of enterprises and other employees at the appropriate level. As of the end of 2023, this management team consisted of 75 people, 21% of whom were women. All members of the top management are citizens of Ukraine.

PICTURE 56.

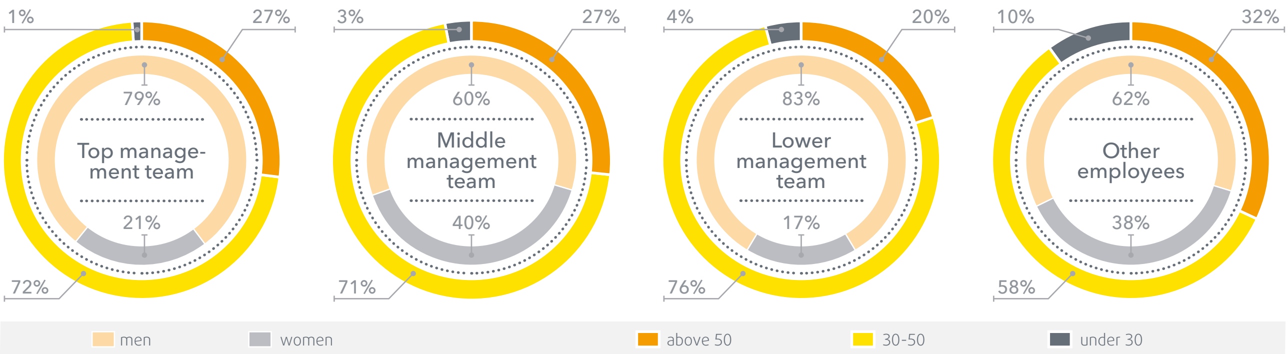
Structure of the top management of Interpipe Group by gender and age as of the end of the year



Middle management includes heads of departments and divisions, while lower management includes foremen and site managers. Other employees (workers, specialists and clerks) accounted for 91% of the total number of employees as of the end of 2023.

PICTURE 57.

Structure of Interpipe Group employees by category, gender and age as of the end of 2023



Interpipe Group has the largest number of employees between the ages of 30 and 50, accounting for 59.4% of the total number of employees. Men also dominate the workforce, making up 63.1% of the workforce.

7 The data includes representatives of the Management Board and Supervisory Boards of Interpipe NTRP, Interpipe NMPP, Interpipe Niko Tube LLC, Dniprostal LLC, Society Dishware Novomoskovsk LTD, and Interpipe Dneprovtormet JSC.

EQUALITY AND RESPECT FOR HUMAN RIGHTS

The Group's approach to managing anti-discrimination and human rights issues is based on global documents and initiatives, as reflected in the *Human Rights Policy.* The policy was developed in 2023-2024 and approved in early June 2024. This policy represents Interpipe's commitment to fostering awareness and promoting an ethical ethos among employees and stakeholders throughout the Group's supply chain. The Compliance Department, in conjunction with the Human Resources Department and the heads of Interpipe Group companies, is responsible for ensuring the implementation of the business principles set forth in the Policy.

One of the fundamental principles that guides our activities is respect for human rights. The Group prohibits all forms of forced, bonded, illegal, or child labour. It is our Policy to prohibit discrimination, verbal threats, violence, and harassment in the workplace. We are committed to ensuring fair treatment, freedom of expression, employee representation, and the right to bargain collectively.

In the reporting year, there was no difference in the average basic salary and additional remuneration[8] for men and women. In the reporting year, there was no difference in the average basic salary and additional remuneration for men and women.

In 2023, there were no cases of discrimination at Interpipe Group companies.

In accordance with the Policy, we conduct comprehensive human rights due diligence to identify, prevent, and mitigate the risks and negative impacts of our activities. Furthermore, we implement a due diligence process for metals and minerals used in the Group's production processes in accordance with the Organization for Economic Cooperation and Development (OECD) Guidelines for the Due Diligence of Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. For other procurements, our Supplier Standards detail our ethical expectations for suppliers and the processes we have in place to evaluate their business practices.

We focus on the principles of equality in the workplace and in the community. Specifically, a non-discrimination and diversity awareness and training program is being implemented for managers and employees involved in hiring, training and career management. The Group expects each manager to act as a worthy example of integrity and to promote an ethical culture.

It is a key objective for us to ensure that the diversity of society, including cultural and ethnic diversity, is reflect-

8 The term "basic salary" refers to the minimum fixed remuneration an employee is entitled to, exclusive of any additional payments. The term "additional remuneration" encompasses supplementary payments, such as those related to seniority, overtime, bonuses, and other similar forms of compensation.

ed among the Group's employees at all skill levels. We do not differentiate between specific categories of vulnerable groups and aim to provide coverage for as many of them as possible. Interpipe Group fosters constructive dialogue, assesses progress, and disseminates tangible outcomes of its commitments.

The Group recognizes and respects the right of its employees to form and join trade unions and to bargain collectively for the protection of their interests, as provided by law. The status of implementation of existing collective bargaining agreements is analyzed annually. In 2023, we worked with trade unions to provide assistance to vulnerable people, including those affected by shellings, families of fallen Ukrainian soldiers, and former employees. Salaries, incentives, benefits, and other forms of remuneration are provided without discrimination on the basis of gender, race, religion, or union membership.

In 2023, the Group did not identify any divisions or suppliers where the rights of employees to freedom of association or collective bargaining were or could be violated

Information about Interpipe Group projects is made available to stakeholders, including representatives of local communities, in advance. This ensures that our business is in compliance with all applicable rights and obligations to society.

The Group has implemented an anonymous complaint mechanism (confidential hotline) to address complaints, improve processes, and resolve issues impartially. Anyone who makes a complaint will be treated fairly. After an investigation, decisions are made regarding the perpetrators if their guilt is confirmed. In the event of a violation of Interpipe's Human Rights Policy, the company reserves the right to take all necessary actions, ranging from issuing a warning to pursuing legal action.

You may contact us via any convenient method:
HOTLINE PHONE NUMBER: +380 67 622 56 10
EMAIL OF THE HOTLINE: *compliance@m.interpipe.biz*
FEEDBACK FORM: *https://interpipe.biz/esg/governance_and_ethics/trust_line*

EMPLOYEE CAREER DEVELOPMENT AND TRAINING

The professional development of our employees is a critical factor in ensuring the efficient operation of the Group. That is why continuous improvement of competencies is our priority in the area of human resources management.

The Group provides its employees with a multitude of opportunities for high-quality training.

EMPLOYEE TRAINING AND PROFESSIONAL DEVELOPMENT MANAGEMENT

Interpipe Group has a centralized approach to managing the training and career development of its employees. To this end, a dedicated Recruitment and Development Department has been established. The Group provides its employees with continuous vocational training in accordance with the requirements of national and international standards. All Group companies have specific documents to address these issues effectively. In particular, activities in this area are carried out in accordance with the Regulations on Personnel Training and Development. Furthermore, the Group's companies have implemented the Regulations on Encouraging Personnel Involved in Training and the Regulations on Interaction with Educational Institutions.

We use modern technology and IT systems to record information and manage the career development and training of our employees. The Professional Development IT module enables us to create personal training cards, submit applications, form training agreements, and perform other tasks electronically. Another software product is the MOCO HR Process Automation and Talent Management System[9]. This system is used to conduct remote training by developing courses, testing, and reporting test results. Our plan for 2024 is the introduction of the MOCO for the evaluation of candidates for the talent pool.

We have developed a structured training and development program based on competency profiles for each position within the Group, which are clearly defined in job descriptions. On an annual basis, we prepare a vocational training plan, which is then confirmed by a corresponding order. Furthermore, we develop the budget for the forthcoming year, taking into account both internal and external programs and training courses.

In 2023, Interpipe Group provided vocational training for 3,182 employees, exceeding the planned number by 107%. This year, as in the previous year, the focus is on retraining employees (559 people), as many of them were compelled to relocate to safer cities in Ukraine or abroad due to Russia's military operation in Ukraine. In addition, 769 employees of the Group were trained in related professions.

In 2024, we plan to provide internal training to 3,358 employees. The main objectives of this training program are to improve the quality management system, to evaluate the knowledge of personnel in different professional roles, to develop a skills matrix among the workforce, and to refine the competencies of instructors involved in theoretical and production training.

The Group employs a strategy of motivating employees who serve as speakers at training and development programs and courses. The procedure is described in the Regulations on Incentives for Employees Involved in Personnel Training.

External training is also planned for 1,646 employees in 2024, including "Changes to the API Q1 10th Edition Specification," "Quality Management System in accordance with the International Standard ISO 9001:2015," "Internal Auditor of Energy Management Systems in accordance with ISO 50001:2018 and ISO 19011:2018," and "Internal Auditor of Quality Management Systems in accordance with the Requirements and Provisions of the International Standards ISO 9001:2015 and ISO 19011:2018."

The feedback questionnaires used by trainers and instructors are designed to evaluate the effectiveness of the training and career development system. The assessment of learning outcomes is based on two key areas: the evaluation of the participant's response and the evaluation of the participant's knowledge in the subject matter. A score of at least 3.5 on a 5-point scale is the target for feedback questionnaires. This integrated approach allows for a more effective analysis of the training and development process.

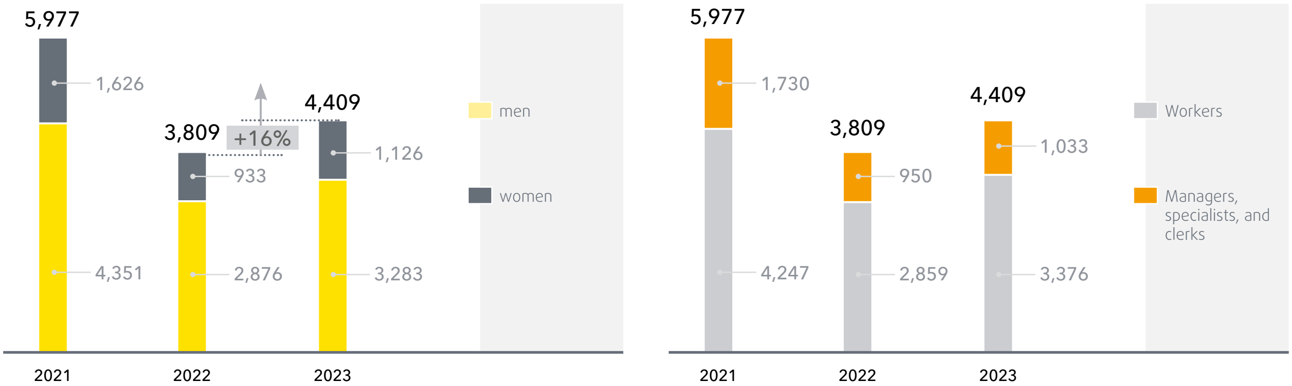
NUMBER OF EMPLOYEES TRAINED

We continued our commitment to employee training despite the impact of Russia's full-scale military operation in Ukraine. In 2023, 4,409 employees of the Group were trained. Of these, 3,376 (77%) were workers and 1,033 (23%) were classified as managers, specialists, and clerks. 74% of all employees who received training were men, representing a 1% decrease compared to 2022. The total number of employees trained increased by 16% compared to the previous year.

9 MOCO is a distance learning software solution designed to comprehensively assess employees, facilitate talent connections, and streamline the management of face-to-face learning.

PICTURE 58.

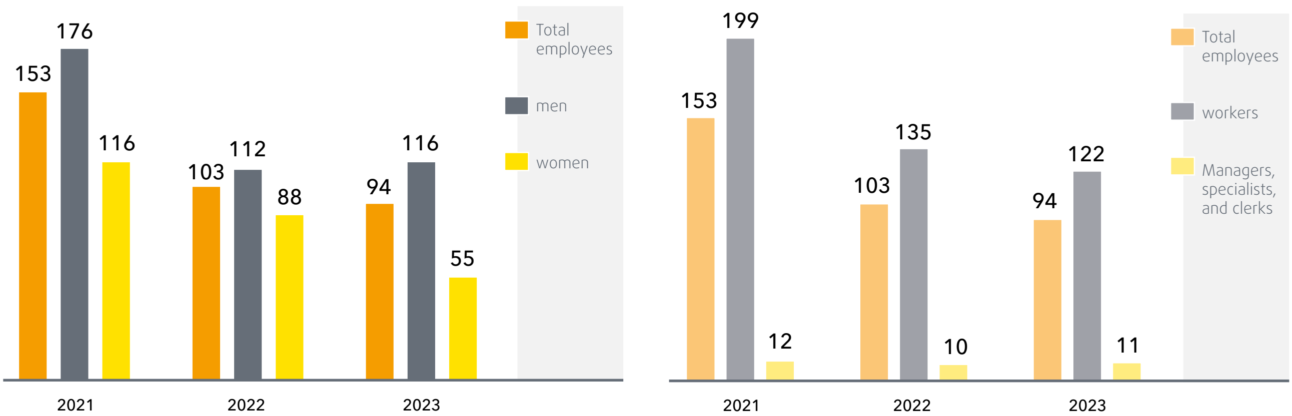
Total number of employees trained in 2021-2023 by gender and category[10]



In 2023, the average number of training hours per employee was 94 hours, representing a 9% decrease from the previous year. For workers, this figure was 122 hours, and for the employees in the "managers, specialists, and clerks," category, it was 11 hours. Men spent an average of 116 hours training in 2023, while women spent 55 hours.

PICTURE 59.

Average hours of training per employee in 2021-2023[11]



PERSONNEL TRAINING PROGRAMS

We offer our employees a comprehensive suite of educational programs and training opportunities. Training may include a working profession or higher education, with the associated costs covered by the Interpipe Group. In 2023, 30 employees were selected to pursue higher education opportunities following interviews and approval from their managers. In accordance with applicable legislation, all employees enrolled in higher education institutions, colleges, and technical schools are granted study leave on the basis of certificates of attendance. Following the training, participants are invited to complete feedback questionnaires to assess the quality of the training and provide their comments and suggestions for further improvement.

In 2023, in collaboration with National TU Dnipro Polytechnic, we conducted the following training programs:

- "Industrial Controllers, Networks, SCADA" – 30 employees improved their professional skills;
- "Electric Drive and Converter Technology" – 30 specialists and professionals improved their professional skills.

In addition, the Group, with the participation of certified experts, conducted training in accordance with the ISO/TS 22163:2023 program, in which 15 specialists of the Group participated and received certificates.

10 The data set includes information received from the following entities: Interpipe Management LLC, Public Joint Stock Company "Interpipe Nizhnedneprovsky Tube Rolling Plant" (PJSC Interpipe NTRP), Limited Liability Company "Interpipe Niko Tube" (Interpipe Niko Tube LLC), Dniprostal Steel Works LLC, Joint Stock Company "Interpipe Dneprovtormet" (JSC Interpipe Dneprovtormet), Joint Stock Company "Interpipe Novomoskovsk Pipe Production Plant" (JSC Interpipe NMPP), and Society Dishware Novomoskovsk LTD.

11 The data set includes information received from the following entities: Interpipe Management LLC, Public Joint Stock Company "Interpipe Nizhnedneprovsky Tube Rolling Plant" (PJSC Interpipe NTRP), Limited Liability Company "Interpipe Niko Tube" (Interpipe Niko Tube LLC), Dniprostal Steel Works LLC, Joint Stock Company "Interpipe Dneprovtormet" (JSC Interpipe Dneprovtormet), Joint Stock Company "Interpipe Novomoskovsk Pipe Production Plant" (JSC Interpipe NMPP), and Society Dishware Novomoskovsk LTD.

1 **ADAPTATION PROGRAM**

Acceleration of the onboarding process and adaptation to the corporate and social environment

2 **TALENT POOL AND EMPLOYEE COMPETENCE DEVELOPMENT PROGRAMS**

Creation of a talent pool, improvement of the competence of the employees

3 **SOCIAL PARTNERSHIP PROGRAM WITH BASIC EDUCATIONAL INSTITUTION**

Professional orientation of students, provision of conditions for obtaining primary professional skills and work skills in real production conditions for students, and for the enterprise - selection of future employees among students

4 **OBTAINING OF EXTERNAL HIGHER EDUCATION BY EMPLOYEES AT THE EXPENSE OF THE GROUP**

Obtaining higher technical education

5 **VOCATIONAL TRAINING AND EDUCATION**

Vocational training for working professions (training, retraining and acquisition of a related profession; upgrading and certification of qualifications; targeted courses such as mastering new equipment, new control methods, etc.)

6 **ADVANCED TRAINING COURSES FOR TEACHERS OF THEORETICAL TRAINING AND INSTRUCTORS OF INDUSTRIAL TRAINING**

Improving the skills of specialists who do not have special pedagogical training, but who are employed as theoretical teachers and production instructors for the internal vocational training of employees

- Managers, specialists, and clerks - Workers - Students

COOPERATION WITH EDUCATIONAL INSTITUTIONS

Attracting young talent is a key objective for the Group, both in terms of its own development and in contributing to the overall economic development of the country. Interpipe Group actively promotes the education of the younger generation by co-operating with educational institutions in the regions. In accordance with the regulations on cooperation with educational institutions, our companies regularly accept students from higher education institutions and vocational colleges for internships.

In 2023, the Interpipe Group welcomed for interships 45 new employees, 22 of whom were from vocational colleges and 23 of whom were from higher education institutions. The following educational institutions were represented:

Nizhnedneprovsky Tube Rolling Plant PJSC	Interpipe Niko Tube LLC	Dneprosteel LLC	Interpipe NMPP JSC	Society Dishware Novomoskovsk LTD
A total of 3 people were hired for internships from vocational colleges, of whom 1 remained employed. A total of 9 people were hired for internships from 3 HEIs, of whom 5 remained employe	A total of 11 people were hired for internships from vocational colleges, of whom 8 remained employed. A total of 8 students from National TU Dnipro Polytechnic were hired for internships, of whom 4 remained employed.	A total of 2 people were hired for internships from vocational colleges. A total of 2 people were hired for internships from 3 higher education institutions, who remained employed.	A total of 5 people were hired for internships from vocational colleges, of whom 1 remained employed. A total of 3 people were hired for internships from HEIs.	A total of 1 person was hired for internships from vocational colleges, who remained employed. A total of 1 person was hired for internships from HEIs

RISKS OF INTERPIPE GROUP WITH REGARD TO PERSONNEL TRAINING

The Group's employees may face certain risks in the areas of career development and training. It is crucial that we promptly identify these risks and implement targeted measures to prevent, minimize, or eliminate them.

TABLE 9. LIST OF KEY RISKS OF INTERPIPE GROUP IN THE AREA OF PERSONNEL TRAINING

Risk name	Approach to risk management
Recruitment of new employees who do not have the required skills and qualifications	Mandatory verification of employee qualifications at the time of hire. Verification of credentials and availability of required training in accordance with the Regulations on Personnel Training, Development and Evaluation before an employee begins independent work.
Admission to work of employees without the required level of qualification, including due to violation of the periodicity of their confirmation	Timely professional training and compliance with refresher training frequency. Provision of occupational health and safety training and annual qualification reviews for core and related occupations.
Lack of qualified personnel in management positions	Implementation and support the Talent Pool Program, which identifies deputies for key positions. Implementation of the "Higher Education at the Company's Expense" project at production sites to train employees for the positions of supervisors and foremen and to minimize the number of cases of hiring employees without specialized education.

ASSESSMENT OF EMPLOYEE PERFORMANCE AND CAREER DEVELOPMENT

Interpipe Group strives to effectively evaluate the performance of its employees and to promote their career development. This process serves a number of important functions, including:

Defining progress	Annual performance reviews help determine how well employees perform and meet their goals throughout the year and show their progress.
Building expectations	Performance reviews help set clear expectations and goals for employees for the next period, direct them to achieve those goals, and determine the amount of work required.
Distribution of remuneration	Performance reviews can be used as the basis for distributing rewards and bonuses to employees. It helps identify employees who deserve to be rewarded for their high performance and contribution to the company's development.
Career planning and development	Performance reviews allow employees to identify their strengths and weaknesses and receive recommendations for further improvement and career development.

Moreover, the MOCO system is employed to assess proficiency in equipment maintenance and repair, including:

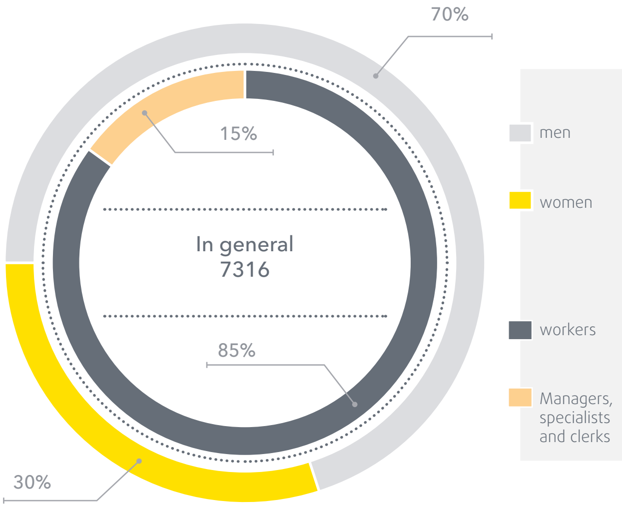
- A total of 197 employees at Interpipe Niko Tube LLC underwent an evaluation, with an overall knowledge level of 94.26%.
- A total of 43 employees at PJSC Interpipe NTRP underwent an evaluation, with an overall knowledge level of 90.81%.
- A total of 18 employees at JSC Interpipe Dneprovtormet underwent an evaluation, with an overall knowledge level of 94.29%.
- A total of 31 employees at Dniprostal Steel Works LLC underwent an evaluation, with an overall knowledge level of 93.55%.

Annually, the Group evaluates employees' proficiency in their respective professions and in occupational health and safety matters. This evaluation has been conducted in accordance with the requirements set forth by the State Labour Service of Ukraine and is documented in the relevant protocols. Moreover, the Line of Succession project developed and implemented a system for evaluating the suitability of prospective participants prior to their involvement in the project. The Assessment Centres are required for all candidates. ***The Assessment Centre is a comprehensive method that uses a variety of approaches to fully evaluate employees. It is designed to determine the true qualities of employees, including their psychological and professional characteristics, compliance with the requirements of the position, and potential for growth and development.***

In 2023, 7,316 employees (83% of the total workforce) received an annual performance review. Among them, 6,231 employees belonged to the "workers" category, and 1,085 - to the "managers, specialists, and clerks" category.

PICTURE 60.

Number of employees receiving regular performance reviews by gender and job category in 2023, people[12]



OCCUPATIONAL HEALTH AND SAFETY

EMPLOYEE OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

We acknowledge our obligation to ensure the health and safety of our employees and adhere to the highest standards of occupational health and safety practices. To ensure the safety of our employees and prevent accidents, incidents, and occupational diseases, we prioritize the creation of safe working conditions at all workplaces. Each Interpipe Group company has adopted its own Occupational Health and Safety Policy, which is aligned with the Group's overarching policy.

The Policies are designed to ensure the safety of individuals and facilitate the functioning of a system of legal, socio-economic, organizational, technical, sanitary, hygienic, and preventive measures.

Each Group company has established and operates its own Health and Safety Advisory Body. They process the initial information on suggestions and problems and, if necessary, take decisions to raise these issues to a higher level.

The Occupational Health and Safety Management System (OHSMS) is an integral part of the management of the Interpipe Group's production sites. The system has been implemented across the entire Group, encompassing all areas of its activities. All employees and contractors of the Group are included in this system. The OHSMS of Interpipe NTRP, Interpipe NMPP, and Interpipe Niko Tube LLC (covering 75.3% of the Group's employees as of the end of 2023) has been externally certified for compliance with the International Standard ISO 45001:2018[13]. Internal audits of the OHSMS of Dniprostal Steel Works LLC, JSC Interpipe Dneprovtormet, and Society Dishware Novomoskovsk LTD (covering 16.5% of the Group's employees) were conducted.

The Group's other production sites have implemented health and safety management systems that comply with the applicable laws and regulations of Ukraine. Certification of compliance with international occupational health and safety standards is planned in the near future for companies that do not currently possess such certification.

The set of measures comprising the OHSMS, implemented at all levels of the Group's organizational structure, includes the following elements:

- Ensuring that health and safety issues are addressed through the creation of relevant services and the appointment of officials;
- Preparation and implementation of appropriate organizational and administrative documents (regulations, orders, instructions);

12 The data set includes information received from the following entities: Interpipe Management LLC, Public Joint Stock Company "Interpipe Nizhnedneprovsky Tube Rolling Plant" (PJSC Interpipe NTRP), Limited Liability Company "Interpipe Niko Tube" (Interpipe Niko Tube LLC), Dniprostal Steel Works LLC, Joint Stock Company "Interpipe Dneprovtormet" (JSC Interpipe Dneprovtormet), Joint Stock Company "Interpipe Novomoskovsk Pipe Production Plant" (JSC Interpipe NMPP), and Society Dishware Novomoskovsk LTD.
13 The list of certificates is available on the Interpipe Group website: ***https://interpipe.biz/esg/sotrudnikam/security.***

- Continuous monitoring of business processes to identify potential hazards to employee health and safety, assessment of risks, and implementation of preventative measures;
- Improvement of technical support and modernization of tools, methods, and labour technologies to enhance occupational safety;
- Ensuring the competence of the Company's personnel and raising awareness of occupational health and safety issues, supporting and encouraging safe behaviour by employees;
- Compliance with the requirements of legal regulations in the field of occupational health and safety and the use of international experience.

The OHSMS is regulated by the Laws of Ukraine "On Occupational Safety," "On Compulsory State Social Insurance against Industrial Accidents and Occupational Diseases Causing Disability," the Civil Protection Code and the Labour Code of Ukraine. The effectiveness of the OHSMS is evaluated on an annual basis at each Group company.

Interpipe Group works closely with its stakeholders to ensure the highest standards of occupational health and safety. We facilitate discussions, offer guidance and training to identify potential hazards and harmful factors. This includes conducting briefings and issuing the necessary documents to employees and contractors. Furthermore, contractors participating in tenders are required to adhere to a set of mandatory standards and policies. Work commences only after the relevant training has been completed, and in the case of work that is classified as hazardous, an employee is issued with a work permit.

MECHANISMS FOR IDENTIFYING EMPLOYEE HEALTH AND SAFETY RISKS

To ensure the prevention of any negative consequences in regard to health and safety, Interpipe Group employs a systematic monitoring process for all production and administrative procedures. This includes the identification of potential hazards, the assessment of risks, and the implementation of an action plan to eliminate them in accordance with the Group's approved procedures.

We maintain a risk register that is subject to periodic review in the event of the introduction of new technologies, equipment, changes in working conditions, or accidents. Furthermore, the register is updated when new types of substances or materials are introduced or used. No later than 2 months after the hazard is identified, the hazard list and risk assessment is updated. Furthermore, the risk register is subject to periodic review, at least once every three years, to guarantee that the security measures remain current and pertinent to the prevailing circumstances.

The overarching objective for all Group companies is to ensure the wellbeing of their employees. This entails a commitment to preventing accidents (including fatalities), occupational injuries, and diseases.

All accidents are subjected to a rigorous and comprehensive investigation, conducted by our own personnel and external contractors. Investigations are conducted in accordance with the Procedure for Investigating and Recording Accidents, Occupational Diseases and Injuries at Work, as well as individual company standards that specify the process for analyzing accidents, incidents and nonconformities, and for developing and implementing corrective actions based on the results of such investigations.

Accidents and cases of occupational injuries and diseases are recorded in the "Register of Persons Affected by Accidents, Occupational Diseases (Poisonings) at Work," which makes it possible to systematize this information and take measures to prevent similar situations in the future.

CREATION OF SAFE WORKING CONDITIONS

In 2023, to protect our employees from Russian aggression, we improved existing measures and implemented a number of new ones:

- At all Group companies, shelters are in good condition and equipped with all necessary supplies, including warm clothing, water, communication equipment and medicines.
- The operation of the air raid warning systems was guaranteed to be uninterrupted.
- Limited Liability Company "Interpipe Niko Tube" (Interpipe Niko Tube LLC) in Nikopol has installed additional reinforced concrete structures, called Kupol, to protect employees during alarms and shelling.
- In order to ensure the continuity of our operations, each of the Group's companies has purchased generators in case of a power outage. Furthermore, we have developed measures and instructions to safely maintain production processes during martial law.

We conduct both preventive and operational controls to ensure labour safety. This entails inspecting the condition of workplaces, ensuring the presence of safety warning signs and posters, and evaluating the functionality of supply and exhaust ventilation, air conditioning systems, and fire extinguishing equipment. Furthermore, the lighting conditions and the availability and condition of personal protective equipment (PPE) are monitored.

The main sources of risk for the Group's employees are exposure to hazardous production factors and exceeding their maximum permissible levels (***Table 10***). These include increased noise, temperature, vibration and air pollution. Process equipment, cranes, grinding and painting operations can also present a hazard. The implementation of appropriate safety protocols and the utilisation of personal protective equipment serve to mitigate the potential risks to employees.

We certify the working conditions of the workplaces at least once every five years. Furthermore, all Group companies perform control measurements of noise, pollutants, and other potentially hazardous factors in their workplaces and administrative buildings. This enables us to guarantee compliance with regulatory requirements and promptly identify and eliminate any potential risks to employee health.

TABLE 10. MEASURES TO REDUCE THE IMPACT OF HARMFUL FACTORS

Possible harmful factors at Interpipe Group companies	Measures to reduce the impact of harmful factors
Exposure to chemical substances	Appropriate PPE and coveralls are provided for employees handling hazardous chemicals. All Group companies have developed policies and procedures for handling chemicals. Training is conducted.
Exposure to high pressure and/or temperature	The Group uses heaters and fans to maintain the required temperature during the cold season. Air heat curtains were installed as a means of reducing heat loss. Air conditioning units are utilised in the workplace during the warmer months.
Noise exposure	Both collective (sound-absorbing structures) and individual (headphones, earplugs) hearing protectors are used.

Interpipe Group provides all prospective employees with comprehensive information about the potential risks and hazards associated with their work environment. Furthermore, employees are informed of the benefits and compensation available for working in conditions associated with these harmful factors. Group companies have posted signs at the entrances to production units and sites to alert employees to potential hazards.

In the event that any potentially harmful factors are identified, Interpipe Group provides employees with the necessary personal and collective protective equipment, including specialised clothing and footwear, free of charge. Occupational health and safety instructions describe the types of personal protective equipment that must be used by specific occupations in accordance with applicable regulations. PPE is given and replaced in accordance with the provisions of Ukrainian legislation, in particular, Article 8 of the Law of Ukraine “On Occupational Safety” and Article 163 of the Labour Code of Ukraine. A new PPE was introduced in 2023.

Employees of companies are entitled to benefits, reimbursement or compensation for work-related diseases (e.g., hypertension, vestibular disorders, hearing problems). No such cases have been documented among the Group’s employees over the past five years.

In 2023, a process of modernization was initiated, encompassing the equipment, workplaces, and production sites. At Interpipe NTRP PJSC:

- Automatic fire alarm system was installed in the Separate subdivision “Polyclinic” building of Interpipe NTRP;
- Modernization of the existing ceiling lighting with the use of energy-saving light sources at the company’s locations;
- Eight units of anti-vibration chairs and an air conditioner were procured and installed in the crane facilities;
- Heating system was replaced, and metal-plastic windows were installed.

All oxygen and natural gas stations were purchased and replaced at Interpipe Niko Tube LLC. At Society Dishware Novomoskovsk LTD, the repair of floor slabs (226 pieces) and the soft roof of the company’s building was completed, as was the servicing of the automatic emergency early warning system.

In order to maintain a high level of employee safety and health, annual events are held. These events include:

1. Designation of individuals responsible for resolving specific health and safety issues and for overseeing the activities of structural units under the OHSMS;
2. Preventive medical examinations and the provision of appropriate personal protective equipment **(PPE)**;
3. Equipment, machinery, mechanism, and technological process safety testing;
4. Training and testing of knowledge on occupational safety and fire safety;
5. Measures for the prevention of accidents and occupational injuries;
6. Improvement of working conditions in terms of their impact on the safety and health of employees;
7. Updating the regulatory framework in the area of occupational health and safety and hygiene.

Every year, Interpipe invests in occupational health and safety. Moreover, financial resources were allocated towards the procurement of personal protective equipment, including overalls, as well as other essential items such as milk, detergents, medical examinations, fire safety measures, training programs, laboratory measurements, and occupational health and safety examinations (***Table 11***).

TABLE 11. EXPENDITURE OF INTERPIPE GROUP ON OCCUPATIONAL HEALTH AND SAFETY IN 2023, MLN

Group Company	Total amount of expenditures, UAH million		
	2021	2022	2023
Joint Stock Company "Interpipe Dneprovtormet"	3.0	2.0	2.1
Dneprosteel LLC	4.8	13.1	16.3
Interpipe Niko Tube LLC	8.4	11.4	49.3
PJSC Interpipe NTRP	33.6	17.6	19.5
Interpipe NMPP JSC	1.1	0.6	0.7
Society Dishware Novomoskovsk LTD	3.9	1.1	1.8
Total	54.8	45.8	89.7

In 2023, seven cases of temporary disability and one fatality were recorded and confirmed by qualified medical personnel (***Table 12***). The main causes of occupational accidents were the following:

- Inadequate consideration of safety during production operations and troubleshooting procedures, as well as lack of confidence in shutting down process equipment before starting works;
- Failure to use safe working practices when tilting the pipe;
- Incorrect transfer of the workpiece to the grinder using a radio-controlled electric overhead crane;
- Entering the danger zone while working with the pipe on the inspection table;
- Improper or careless handling of the cutting tool;
- Negligence while cutting vegetation, resulting in an accidental axe attack;
- Careless climbing on an extension ladder, causing loss of balance and falling, injuring arm.

In 2023, the ratio of confirmed cases of injuries with temporary disability (excluding fatalities) was 0.57, representing a decrease from the previous year's ratio of 0.91.

TABLE 12. NUMBER OF CONFIRMED AND REGISTERED ACCIDENTS AND INJURIES AT INTERPIPE GROUP PRODUCTION SITES

Group Company	2021	2022	2023
Limited Liability Company "Interpipe Niko Tube" (Nikopol)	1	4	2
Limited Liability Company "Interpipe Niko Tube" (Dnipro)	3	6	4
PJSC Interpipe NTRP	4	1	1
Dneprosteel LLC	2	0	0
Society Dishware Novomoskovsk LTD	1	0	1
Interpipe Dneprovtormet JSC	0	0	0
Interpipe NMPP JSC	0	0	0
TOTAL:	11	11	8

There were no fatal accidents at the production sites of the Interpipe Group in 2021. However, a total of 2 employees of the Group were fatally injured in 2022 and 2023. The fatality rate due to occupational injuries in 2023 was 0.08.

TABLE 13. KEY INDICATORS OF OCCUPATIONAL INJURIES AT THE INTERPIPE GROUP PRODUCTION SITES

Indicator	Interpipe Group Employees		
	2021	2022	2023
Number of confirmed occupational injuries, including:	11	11	8
number of cases of injuries with temporary disability (excluding fatalities)	11	10	7
number of fatalities due to occupational injuries	0	1	1
Number of days lost as a result of an occupational accident	511	411	697
Near Miss Frequency Rate[14]	24	30	5
Total Reported Incident Rate[15]	0.15	0.20	0.13
Confirmed occupational injury rate[16]	0.74	1.01	0.65
Rate of njuries with temporary disability (excluding fatalities)[17]	0.74	0.91	0.57
Rate of fatalities due to occupational injuries[18]	-	0.09	0.08
Fatality Rate[19]	0	0.018	0.016
Severity rate of disabling injuries[20]	0.03	0.04	0.06
Near Miss Frequency Rate[21]	0.32	0.55	0.08
Number of hours worked	14,849,076.00	10,949,775.62	12,363,463.00

14 Near Miss is defined as an incident that did not result in damage to property, the environment or employees, but in which damage or injury could easily have occurred but for a slight change in circumstances.
15 Total Reported Incident Rate (TRIR) = Number of reported incidents / Number of hours worked * 200,000
16 Confirmed occupational injury rate = Number of confirmed occupational injuries / Number of hours worked * 1,000,000
17 Serious Occupational Injury Frequency Rate (excluding fatalities) = Number of cases with serious consequences as a result of occupational injuries (excluding fatalities) / Number of hours worked * 1,000,000
18 Fatality rate due to occupational injuries = (number of fatalities due to occupational injuries / number of hours worked) * 1,000,000
19 Fatality Rate = Number of fatalities in the workplace / Number of hours worked * 200,000
20 Severity rate of disabling injuries = Number of days lost due to an occupational accident * 1,000 / Number of hours worked
21 Near Miss Frequency Rate (NMFR) = Number of Near Misses / Number of hours worked * 200,000.

In the companies of the Interpipe Group, any employee has the right to refuse to perform assigned work in situations that pose an imminent threat to their life or health. This should be reported to the supervisor. Upon receipt of such a request, authorized health and safety representatives, insurance experts and other specialists in the field will verify the existence of a hazardous situation for the employee. In the event that a hazardous situation is confirmed, the employee will receive the average salary for the period of downtime resulting from circumstances beyond the employee's control.

The procedure for submitting complaints and suggestions regarding occupational safety and health can be done either verbally through the manager or by using an anonymous form. All complaints and suggestions received are carefully reviewed. In accordance with the laws of Ukraine, the Group's Charter on Equality, Diversity and Inclusion, and the Group's Code of Ethics, employees of the Group are protected against any form of retaliation for filing complaints.

HEALTH AND SAFETY TRAINING AND COMMUNICATION WITH EMPLOYEES

Communication with employees on issues related to occupational health and safety is carried out on a regular basis. Forms of involvement include meetings at production sites, memos, bulletin boards, briefings, special questionnaires, newsletters, hazard-specific brochures, risk and hazard identification training, and accident reporting. For quick information exchange, phone and email notifications are also used. Companies have health and safety committees and unions that include all categories of personnel – technical, administrative, and others.

The employment contracts of the Group's employees contain information on how to ensure:

- safe and healthy working conditions,
- the availability of individual and collective protective equipment (where required),
- the timely certification of workplaces to improve working conditions,
- regular analysis of occupational injuries and diseases with the development of measures to prevent them and eliminate their causes,
- compliance with labour protection norms, requirements, and standards,
- the modernization and timely replacement of equipment and the use of safer programs and processes,
- benefits and compensation for work in hazardous and difficult conditions, and others.

In the reporting period, the Group held meetings of the employees to discuss the implementation of the measures planned in the Labour Bargaining Agreement, including occupational safety.

Each year, Group companies provide their employees with mandatory safety and health training. The program includes a general course on occupational health and safety, fire and civil protection rules, safety rules for working at heights, working with tools and equipment, loading and unloading operations, operating electrical equipment, etc.

The necessity and frequency of such training are determined in accordance with the "Model Regulations on the Procedure for Conducting Training and Examination of Knowledge on Occupational Safety and Health" and the company's own regulations, with a minimum requirement of at least one training session per year. Both internal and external trainers receive training from specialized institutions. The outcome of the training is evaluated through an anonymous survey.

In 2023, the Procedure for Encouraging Employees Involved in Occupational Health and Safety Training was developed and approved.

In accordance with the documentation provided, the Dnipro site of Interpipe Niko Tube initiated a project during the specified reporting period to conduct in-house training for its personnel on occupational safety and health. This facilitates the consolidation of knowledge and enables more effective adaptation of training programs and materials to the specifics of enterprises Outlines and training presentations were developed. A total of 102 employees were trained and tested in occupational safety and health as part of one of the programs developed. In 2024, our objective is to expand the list of enterprises and programs that will provide this type of training, including the introduction of practical training at production sites.

FIRE SAFETY FOR EMPLOYEES

Interpipe Group implements improvements to the industrial and fire safety system in its companies. The responsibility for the maintenance and further development of the system is divided in the following way:

- at the Group level – the Director of Ecology and Industrial Safety;
- at the level of the Group's companies – heads of occupational health and safety departments;
- at the level of production sites – heads of departments;
- at the workplace level – each employee within the scope of their job responsibilities.

The Group's fire safety system is operated in accordance with the legal requirements set forth in the Code of Civil Protection of Ukraine, the Fire Safety Rules in Ukraine, the Procedure for Approval of Training and Briefing Programs on Fire Safety, Organisation and Control over their Implementation, the Operating Rules, and the Standard Standards for Fire Extinguishers.

On an annual basis, representatives of the State Emergency Service of Ukraine in Dnipropetrovsk region conduct routine inspections of the Group's companies to ensure their compliance with the requirements of civil protection, industrial and fire safety legislation. Furthermore, targeted and scheduled internal audits are conducted to guarantee compliance with fire safety requirements. As part of the supervisory audit at Interpipe NTRP, Interpipe Niko Tube LLC, and Dniprostal Steel Works LLC, independent certification bodies conduct external audits of fire and industrial safety systems.

Interpipe Group implements a range of technical and organizational measures on an annual basis to enhance fire safety. These measures include servicing and recharging fire extinguishers, checking fire hydrants, maintaining fire alarms and automatic early warning systems, conducting emergency briefings, and training personnel to operate gas protection equipment, etc.

In 2023, an automatic fire alarm system was installed in the Separate subdivision "Polyclinic" building of Interpipe NTRP, and fire extinguishers and fire equipment were purchased to enhance the fire safety system of the company. Furthermore, a fire alarm system for the inventory warehouse, PPE and workwear warehouse was installed at Dniprostal Steel Works LLC.

MEDICAL SUPPORT FOR THE GROUP'S EMPLOYEES

Interpipe Group provides a comprehensive range of medical services to all employees, including:

- Pre-employment and periodic medical examinations;
- Dispensary accounting by specialists with a narrow focus;
- Emergency and other types of medical care in the Group's health centres;
- Medical care in case of illness or injury;
- Medical services under the Medical Guarantee Program of the Ministry of Health of Ukraine;
- Medical support for health events organized by the Group, such as marathons, sports competitions, etc.;
- Treatment at a sanatorium or a resort for employees who require it;
- Recreation in recreation centres.

It is in the Group's best interests to ensure the physical wellbeing of its employees. Doing so helps to reduce the incidence of illness and injury, and to prevent disabilities.

To guarantee the availability of medical services, a specialized outpatient clinic, Separate subdivision "Polyclinic" of Interpipe NTRP, was established in close proximity to the Group's production sites in workers. The polyclinic is licensed and certified at the highest level. Furthermore, the Group's companies operate their own medical centres, which provide medical care and preventive measures for employees at the workplace.

All prospective employees of Group companies are required to undergo a comprehensive pre-employment medical examination. It is a requirement that all employees engaged in heavy work undergo periodic medical examinations. The scope of diagnostic tests, consultations with specialists and the frequency of their performance are determined in accordance with the requirements of the Order of the Ministry of Health of Ukraine.

On an annual basis, we conduct an analysis of the health state of our employees. If the medical examination reveals medical contraindications, the employee may not be allowed to perform certain tasks. If necessary, the employee will be transferred to another position or given a reduced work schedule as permitted by a medical report. In accordance with the pertinent legislation, the Group offers training opportunities to eligible employees, thereby facilitating their pursuit of alternative positions. During the entirety of the medical examination, the employee is entitled to receive their regular salary.

We adhere to the established standards of confidentiality, thereby ensuring that medical histories and other personal information about our employees are not disclosed. Outpatient medical records are stored in rooms that are accessible only to health care professionals.

IMPACT ON LOCAL COMMUNITY DEVELOPMENT

Interpipe Group fosters mutually beneficial partnerships with local communities in order to achieve common long-term goals. At Interpipe, we recognise the importance of supporting local communities and vulnerable populations as part of our overarching approach to stakeholder engagement. This is governed by the Group's Code of Ethics. We endeavour to exert a positive influence on the development of communities in the regions where we operate. We create jobs, consider the views and requests of community representatives when implementing the Group's business projects, and invest in social infrastructure development.

It is the responsibility of the Communications Director to provide support to local communities. The Group is committed to its obligations to local communities and local residents. One of our primary strategic objectives is to enhance the management processes in this area on an ongoing basis. It is acknowledged that the responsibility for the region's welfare extends beyond the authority's remit to include the private sector.

At Interpipe, we are committed to monitoring, measuring, evaluating and preventing any negative impacts of our operations on the environment and local communities. We endeavour to address social and environmental issues in our region and consider the needs of communities when pursuing our business objectives. The Group endorses and advocates the principles of sustainable development, including the resilience of cities and communities, economic growth and public health. We encourage our employees and the local community to adopt sustainable habits and values, as well as active and healthy lifestyles.

The Group's development is contingent upon maintaining a continuous two-way dialogue. In order to achieve this, we proactively process suggestions and complaints from local communities via a variety of channels, including our mailbox, social media, feedback forms, and contact numbers.

The Group monitors the identification of potentially negative risks and impacts on local communities, responds promptly to eliminate them, and informs stakeholders of the solutions to problematic situations. This communication approach enables the Group to mitigate

We provide systematic assistance to residents of settlements in the region of the Group's presence, in particular to forcibly displaced persons and socially vulnerable groups

the risks associated with its direct activities that may affect local communities. We are committed to creating positive impacts through the implementation of programmes and projects aimed at the development of local communities, including initiatives that benefit the Group's employees and their families. Despite the challenging circumstances resulting from Russia's military operation in Ukraine, the Group remains committed to supporting local communities. In 2023, Interpipe Group continued to collaborate with local authorities and charitable foundations to provide assistance to local communities during martial law. We facilitate the opening of staging areas and bomb shelters, and provide emergency assistance to communities in the regions where the Group operates.

Our goal is to provide comprehensive support to our employees, ensuring their families and local communities' safety during military conflicts and natural disasters, and promoting the community's well-being.

SYSTEMATIC, TARGETED SUPPORT FOR THE GROUP'S MOBILISED EMPLOYEES AND THEIR FAMILIES

In 2023, the Group expanded the Corporate Headquarters for Assistance to Mobilised Employees, which was established at the outset of the conflict. Since the commencement of Russia's comprehensive military operation in Ukraine, over 1,000 individuals have been mobilised from Interpipe's business units. The headquarters employs coordinators, each of whom is responsible for maintaining consistent communication with 200 mobilised and demobilised colleagues.

The primary objectives of Interpipe in this area are as follows:

- Maintain regular contact with mobilised employees to ascertain their needs and requests from their military units;
- Provide targeted assistance;
- Offer medical support and assistance when needed, including the provision of medicines, coverage of additional examinations and assistance of doctors from the Group's medical centre;
- Provide organisational and legal assistance to military personnel during their service and to veterans after demobilisation;
- Coordinate psychological assistance and support for the adaptation of demobilised employees.

In 2024, Interpipe continues supporting mobilized employees on regular basis

SUPPORT FOR VETERANS AND MILITARY FAMILIES

Interpipe has a dedicated focus on working with demobilised and veteran employees. At the senior leadership level, a decision was taken to implement a transparent and supportive process to facilitate the transition of military personnel back to civilian life. Within the assistance programme for mobilised employees, a comprehensive support and adaptation programme is being developed for veterans at Interpipe's enterprises.

The adaptation process includes medical and psychological support, organizational and legal assistance during and after demobilization. Staff psychologist regularly communicates with demobilized employees and their families. As of the beginning of 2024, 83 mobilized employees were demobilized at the Group's enterprises, 71 veterans returned to their jobs. Also, 12 veterans who had no previous work experience at the Group's companies were hired at the Group's enterprises.

Interpipe aligns with global and Ukrainian practices in supporting veterans and those affected by the hostilities. This includes offering "Military Psychology" training courses for supervisors, team leaders, and HR departments, with the first sessions held in 2023. Interpipe continues to facilitate internal communications via corporate media channels.

On the public front, Interpipe also promotes veteran adaptation. As part of its involvement in UN Global Compact Network Ukraine programmes, Interpipe presented its adaptation process for demobilised employees to audiences in Ukraine and globally, including at the Leadership Summit 2023 in New York.

85% of demobilized employees return to the Group's enterprises and successfully reintegrate into civilian life

An additional area of focus is supporting the families of fallen soldiers. By the end of 2023, more than 50 mobilised employees had lost their lives in the frontline. Interpipe Group provides families with one-time financial assistance for the loss of a breadwinner and, if needed, offers additional monetary and material support. In some cases, Interpipe continues to assist the deceased's family, such as when close relatives, partners, or children require ongoing medical support. Families of soldiers who are held as prisoners of war or reported missing also receive regular organisational, legal, and psychological support.

Every minor child of deceased employees of the Group's enterprises receives targeted support

ONGOING SUPPORT FOR EMPLOYEES AND CIVILIANS

Interpipe provides both regular and targeted assistance to employees and their families affected by the ongoing war. In 2023, the Group carried out various humanitarian projects for both employees and local communities.

Employee safety is a top priority. Since the beginning of the war, bomb shelters have been opened and equipped at all Interpipe facilities. At the Nikopol enterprises, located in an active combat zone, mobile protective shelters have been set up within the production halls, offering protection during artillery and missile attacks.

An essential area of assistance in the Nikopol region is addressing the aftermath of the Kakhovka Dam destruction. Amidst critical water shortages, Interpipe has been regularly supplying technical water to Nikopol and the surrounding areas and has donated over 70 containers for storing drinking and technical water. Additionally, Interpipe has taken preventative measures, including improving underground shelters and preparing emergency supplies of drinking water.

Children of employees from the enterprise in Nikopol were evacuated to a safe place at the request of their parents

The Group provides material support to employees whose homes have been significantly damaged by artillery or missile strikes. In 2023 alone, more than 900,000 hryvnias were allocated for the repair of windows, roofs, and walls for 62 employees' homes in Nikopol and Dnipropetrovsk regions. Since the onset of the invasion, 431 employees have received housing repair assistance.

Interpipe has also arranged for employees in the front-line city of Nikopol to relocate to a safer area in Pokrov. These employees receive monthly grocery vouchers worth 1,000 hryvnias from local supermarkets.

Mobile shelters are located in the company's workshops in Nikopol and protect workers in the case of shelling

Approximately 90 employees' children from Nikopol communities have been evacuated with their families to a sanatorium in Dnipropetrovsk region for the second year running. Interpipe fully funds accommodation, food, and medical care for these displaced families. In order to ensure the continuity of the educational process, the Group offers the services of a teacher at the sanatorium. Furthermore, the event organiser is responsible for planning recreational activities and providing childcare assistance, particularly for those who have been evacuated without adult supervision. A variety of regular events, children's holidays and workshops are scheduled, particularly during school holidays.

In 2023, Interpipe organised summer camps for the children of employees in the protected Carpathian region. The company subsidised 80% of the cost, including transport, food, and medical care. The camp was made available to employees serving in the Ukrainian Armed Forces at no cost. The camp welcomed over 500 children, with one-third of attendees being children of mobilised or fallen soldiers. In 2024, Interpipe plans to expand the camp to accommodate a greater number of participants.

Children of the group's employees rested in children's camps in a protected area in the Carpathian Mountains

ASSISTANCE TO THE ARMED FORCES OF UKRAINE AND MEDICAL PROFESSIONALS, INCLUDING MILITARY MEDICS

Interpipe has consistently supported the Ukrainian Armed Forces and medical personnel, including military medics, since the full-scale military invasion.

The Group's principal areas of support are as follows: military aid and rehabilitation, assistance for displaced civilians affected by the conflict, support for healthcare facilities, and the promotion of Ukraine's interests globally to strengthen international support.

Interpipe is pleased to continue supplying essential equipment, materials, and medications to wounded soldiers and medics.

> *As a responsible business, the Group is committed to contributing to Ukraine's shared victory and supporting the urgent needs of military personnel and healthcare providers.*

SYSTEMATIC SUPPORT FOR HOSPITALS IN DNIPRO AND DNIPROPETROVSK REGION

Since the onset of the military invasion, Interpipe has provided medication to hospitals treating evacuees and the injured in collaboration with the charitable foundation Vidrodzhennia Rehionu (Regional Revival), which is established and funded by the Group. We provide a range of medical products and supplies, including artificial blood products, antiseptics, painkillers and other medicines, as well as bandages and other medical supplies, to hospitals and other medical institutions. Furthermore, Interpipe provides hospitals with the necessary equipment to perform their duties, including items such as surgical tables, hospital beds, electrocautery machines, ventilators, oxygen concentrators, and other essential tools.

CREATING AN ECOSYSTEM OF TECHNICAL EDUCATION IN DNIPROPETROVSK REGION



As part of the joint project, a complete reconstruction was carried out, modern classrooms and laboratories were equipped and opened in schools

At Interpipe, we recognise the vital role that high-quality engineering education plays in the development of modern Ukrainian industry. In order to achieve this goal, we actively encourage schoolchildren to pursue technical specialities at universities/institutes and vocational schools. At Interpipe, we are committed to fostering a culture of STEM education in the Dnipro region. We actively engage with educational institutions and other organisations to initiate and support STEM educational projects and events for students in secondary schools and higher education institutions. In order to achieve this objective, the Group is engaged in collaborative initiatives with educational institutions, government authorities and suppliers of cutting-edge training equipment.

Since 2018, the Interpipe Group has been investing in the creation of a mechatronics ecosystem in Dnipro with the objective of training specialist workers. The educational and technical ecosystem comprises modern mechatronics training laboratories, educational programmes and competitions at schools and the National TU Dnipro Polytechnic. In particular, in 2019 and 2020, two mechatronics laboratories were opened at National TU Dnipro Polytechnic with the support of Interpipe.

Since 2021, Interpipe and the city authorities of Dnipro entered into a memorandum of cooperation for the development of technical specialities. As part of the joint project, modern classrooms and laboratories were completely reconstructed, equipped and opened in schools 129, 138, 139 and gymnasium 3. We also repaired and equipped labour training rooms at schools 69, 39 and 147. The rocket modelling club room was renovated at the Children's Art Centre.

Due to the outbreak of full-scale conflict and the subsequent disruption to the normal educational process, the reconstruction and equipment of classrooms was temporarily suspended in 2022. However, at the end of 2023, Interpipe resumed the programme and opened one additional mechatronics classroom and one additional vocational training classroom. In 2024, our objective is to expand the network of institutions with specialised classrooms and sponsor the renovation of previously opened laboratories..

The Interpipe Group's community support objectives have been expanded to fully address the challenges of wartime while continuing to contribute to social development. Interpipe has identified the following areas of focus:

- Ongoing support for the Armed Forces of Ukraine, hospitals, and other medical facilities
- Continuous assistance for employees and their families
- Creation and maintenance of safe conditions for local communities
- Expansion and continuation of programmes to support internally displaced persons
- Ongoing efforts to develop technical education in secondary schools and to promote technical professions

THE IMPACT OF THE GROUP ON THE ENVIRONMENT

The Environmental Policy governs the management of the environmental impact of the Interpipe Group's activities. Major companies have their own approved policies that are publicly available[1].

At Interpipe, we have implemented an integrated environmental management system that encompasses all aspects of the Group's activities. This includes

- A thorough assessment of the environmental impact of our suppliers at the stage of purchasing raw materials and supplies. The Group's procurement function is undergoing training with the objective of enhancing its ability to assess suppliers against ESG criteria.
- In the process of procuring energy resources, the responsible department at Interpipe conducts an analysis of the carbon intensity of the energy, thus giving preference to low-carbon and climate-neutral energy sources. This approach has resulted in a notable decrease in indirect energy greenhouse gas emissions for the Group, with a decrease of nearly 50%, compared to 2022.
- At Interpipe Group, we are committed to the continuous improvement of our production processes with the aim of reducing the use of primary materials, natural water resources and energy. Each stage of the smelting and production process is evaluated on a regular basis. The corporate ERP system, IT-Enterprise, maintains continuous and automated records of production and environmental performance, and is designed to gradually introduce more resource-efficient technologies.
- Furthermore, the Group oversees the delivery of finished products to customers, aiming to minimise the environmental impact of logistics and other related operations involving our steel products.

1 Corporate Environmental Policy, **https://interpipe.biz/en/esg/environment/Politika_po_ekologi**

The objective for 2024 is to develop a new unified Environmental Policy for all Interpipe assets. This will cover greenhouse gas and other pollutant emissions, as well as improving water management programs at production sites and other pertinent topics.

The Group's business operations are fully compliant with all applicable Ukrainian environmental legislation, including those relating to waste management, water use, and greenhouse gas emissions control. The Director of Environmental and Occupational Safety is responsible for these areas. The main companies of the Group have implemented the international environmental management system ***ISO 14001:2015.*** Moreover, in 2023, Interpipe Niko Tube LLC undertook the challenging initiative of enhancing its accountability for environmental impact and confirming the sustainability of its products. The company has initiated a comprehensive Life Cycle Assessment (LCA) process for its products, conducted in accordance with the international standards ISO 14040 and ISO 14044. In addition to the LCA, Interpipe Niko Tube is preparing an Environmental Product Declaration (EPD), which will serve as an official document confirming the environmental characteristics of its products. EPDs are developed in accordance with ISO 14025 and EN 15804 standards, which set out the requirements for environmental declarations and ensure their comparability and reliability.

To ensure the impartiality and autonomy of the assessment, the Group intends to undergo an EPD verification process in 2024 with the assistance of a third party. After successful verification, the environmental declaration will be registered in the international ***ENVIRONDEC*** database, allowing potential customers and partners to verify the sustainability of Interpipe Niko Tube products. This step will provide our products with additional competitive advantages and demonstrate our ongoing commitment to sustainable development.

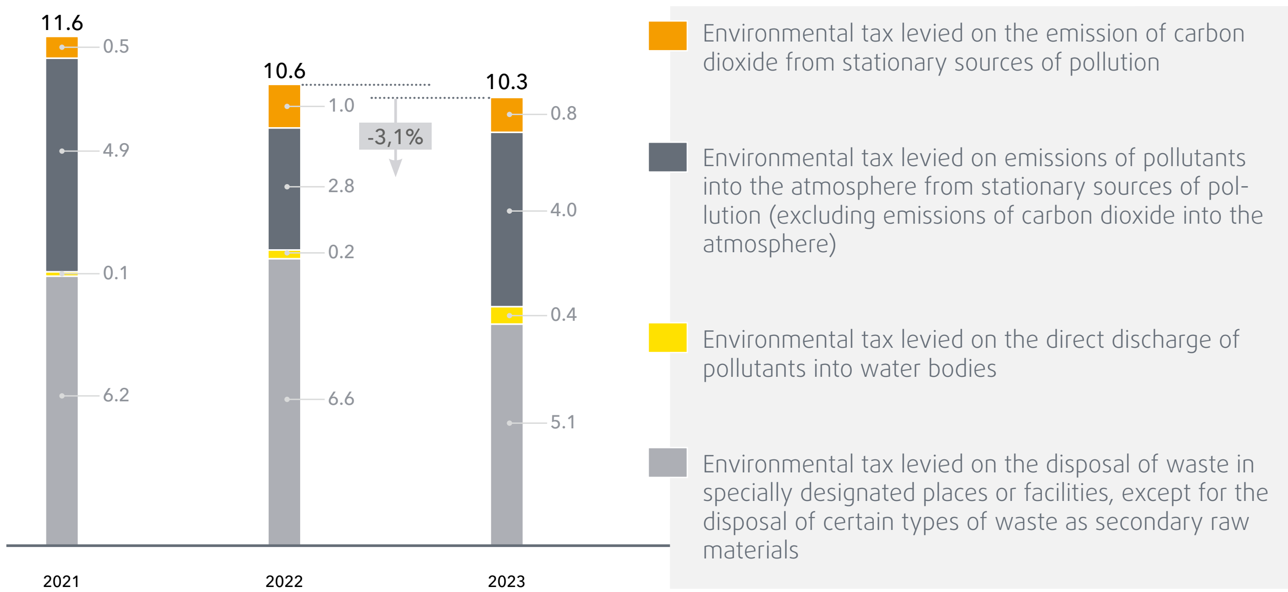
At the end of 2023, the Group's ESG Committee was established. This step will facilitate the periodic assessment of the effectiveness of the system for managing environmental issues and other aspects of sustainable development. The committee will meet on a monthly basis to review the Group's current goals and objectives, assess their achievement to date, and identify potential measures to improve the sustainability of our operations.

At Interpipe, we engage with the public and address comments and suggestions regarding environmental impact management. During the reporting period, the Group continued to fund the monitoring and laboratory testing of actual and potential environmental impacts. In particular, the environmental expenditures included the development of documentation in the field of air protection, climate change prevention, and ozone layer protection (UAH 124.2 million was spent in 2023), monitoring and laboratory research in the field of wastewater collection and treatment (UAH 127.5 million was spent in 2023), and waste management (UAH 20.3 million was spent).

We are conscientious about paying environmental taxes. In 2023, the total contribution to the state was UAH 10.3 million, with approximately one-third of that amount designated for the fee for waste disposal in specially designated locations (exclusive of those materials that can be recycled). Traditionally, the payment for the emission of air pollutants has been a significant part of the environmental tax of the Group.

PICTURE 61.

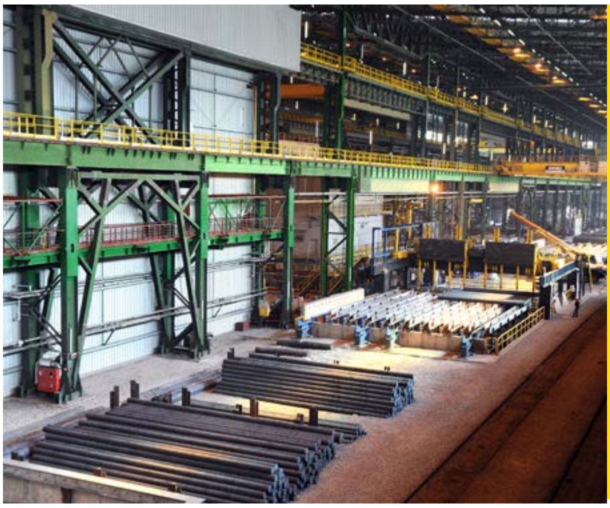
Environmental taxes paid by Interpipe Group companies, UAH million



MATERIALS AND WASTE MANAGEMENT

The approach to materials management and waste management remained largely unchanged in 2023. The primary tool used by Interpipe to monitor material consumption throughout the production process and to quantify waste volumes and compositions at production sites is the company's Enterprise Resource Planning (ERP) system, IT-Enterprise. All material turnover data is collected as needed, but at least once every three months. Our analysis is based on the data in the system, which allows us to assess the processes of temporary storage, timely transfer for sale or disposal of waste materials, waste, containers and packaging. At Interpipe, we are committed to developing a sustainable business model that aligns with the latest global sustainability standards. We are committed to optimizing our production processes to ensure compliance with the principles of the circular economy, which supports a closed cycle of materials.

One of the key aspects of our business model is the efficient and sustainable use of raw materials. We strive to minimize the use of new resources by using renewable raw materials. In particular, our business model is based on the use of scrap metal, including that produced in-house. This not only reduces our environmental footprint, but also helps lower production costs and makes our products more competitive in the market. Interpipe Group adheres to a set of standards and guidelines that are tailored to the specific needs and characteristics of each individual company within the Group. Responsibility for compliance with these provisions lies with the heads of the relevant production departments.



In 2023, material usage increased by 12.5% compared to 2022. This growth was driven by a recovery from the decline in production following Russia's military invasion in Ukraine. In particular, the use of commercial scrap, a raw material for steel production, increased by 13.1%. Approximately 90% of the total volume of materials required for production processes is scrap metal.

TABLE 14. USE OF MATERIALS FOR STEEL PRODUCTION, THOUSAND METRIC TONS[2]

Indicator	2021	2022	2023
Total volume of materials used, including:	1,177.7	730.9	835.4
Scrap metal	1,048.5	649.9	748.0
Cast iron	27.9	17.4	14.8
Ferroalloys	18.3	11.4	12.6
Lime carbonate	54.7	35.1	38.9
Other slag-forming agents	4.8	2.6	3.8
Materials for carburizing	17.2	10.2	12.6
Refractories	4.5	3.1	3.3
Electrodes	1.9	1.2	1.4

Our objective is to reduce the quantity of waste destined for landfills or the environment. We implement innovative methods to recycle and reuse materials and adhere to strict hierarchical waste management principles that include waste prevention, reuse (recycling) and other forms of recovery.

The methods of handling different types of waste are determined in accordance with their hazard classification and resource value. All hazardous waste must be recycled or disposed of by specialized companies that are licensed to handle such waste. Waste that can be used as a commodity is sent for sale. A special subdivision within the Interpipe Group is responsible for gathering data on the volume of waste generated by all Group companies on an annual basis. This data is then used to issue tenders for the disposal of this waste. Waste that is not in demand on the second-

2 Scrap metal and refractories data has been restated to reflect revised reporting by the Group's Finance and Economics department.

ary market is transferred to third parties for disposal, after which we receive all the necessary documentation.

The Group's production process generates the largest amount of waste in the production of steel billets and seamless pipes. These include electric arc furnace (EAF) slag, mill scale, and metal scrap (leftover substandard pipe billets). A significant portion of the waste generated from maintenance and repairs is comprised of metal containers from paints and varnishes, fuels and lubricants, and waste process fluids from metalworking machines and hydraulic presses.

In 2022, Interpipe Group companies generated 168.5 thousand metric tons of waste, of which 94.7% was classified as low-hazardous. In comparison to 2022, Interpipe Group has achieved a 40% reduction in the amount of hazard class I waste, while reducing the volume of all waste generated in 2023 by 28.1 thousand metric tons.

By pursuing these initiatives, not only do we improve the ecological condition of our planet, but we also generate additional value for our customers, partners, and the society. We are certain that sustainability is the key to our long-term success and prosperity.

TABLE 15. TOTAL VOLUME OF WASTE GENERATED BY INTERPIPE GROUP, METRIC TONS

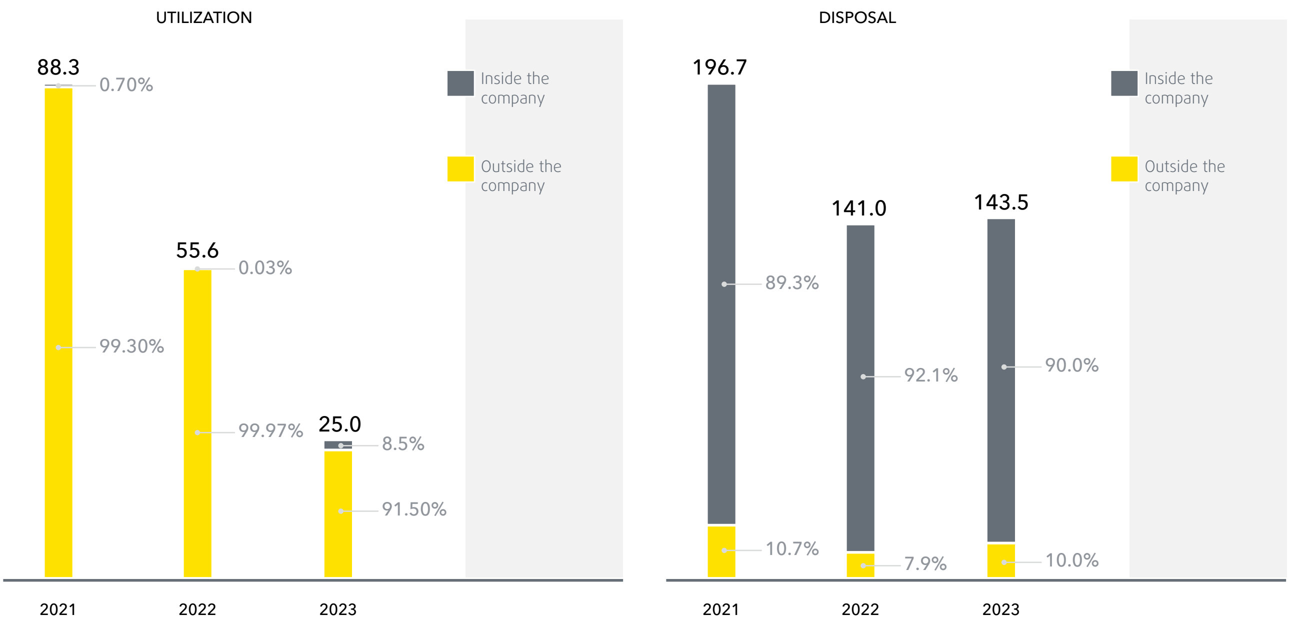
Indicator	2021	2022	2023
Total volume of waste, including:	285,049	196,610	168,502
Hazard class I waste	4	3	2
Hazard class II waste	5	0.5	4
Hazard class III waste	7,962[3]	2,290	8,769
Hazard class IV waste	277,079	194,316	159,728

Interpipe Group regularly assesses its environmental impact. We measure and analyze the condition of soil, groundwater and air at waste storage and disposal sites, and conduct sanitary-chemical and toxicological-hygienic studies of industrial waste to determine the degree of danger and toxicity class of certain substances.

In 2023, 14.9% of the total waste generated was recycled. The decline in disposal volumes was primarily due to lower sales of pellets, which were mostly processed at sinter plants of steel producers.

PICTURE 62.

Total waste volume of the Interpipe Group by treatment methods, thousand metric tons



3 The figure was adjusted based on revised statistical reports from certain Group companies.

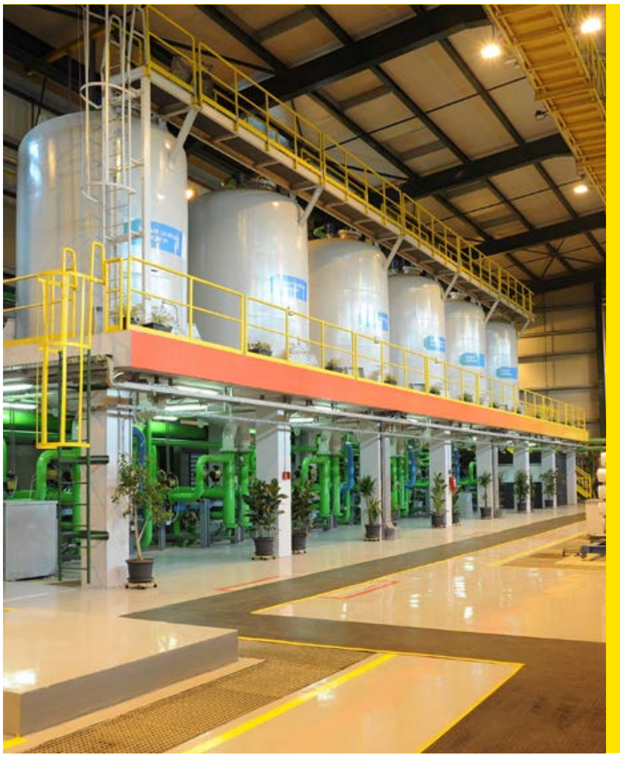
WATER MANAGEMENT PRACTICES

The Interpipe Group's environmental policy includes commitments to reduce water consumption and the amount of waste water generated by its activities. To ensure the responsible use of water resources and effective wastewater management at individual production sites, Interpipe Group has developed and implemented relevant orders, regulations, and instructions. The majority of the Group's companies are classified as secondary water users, as they do not withdraw or discharge water. Instead, they rely on the services of public utilities. The exception is PJSC Interpipe NTRP, which is the only company of Interpipe Group that takes water from the Dnipro River and discharges wastewater back into the river, in accordance with the terms of a special water use permit.

The majority of Interpipe's assets use municipal water for business purposes. Instead, production processes use recirculating water systems to cool equipment and materials, avoiding direct contact of water with raw materials or finished products. This process reduces the need to bring in fresh water to replace evaporation losses. Some of our most water-intensive equipment includes rolling mills, quenching and tempering equipment, baths, test stands, and cooling systems for furnaces, machine tools, and presses. This equipment is primarily powered by reclaimed water systems, but sometimes requires small freshwater intakes to replenish its volume in cycles. Chief Power Engineers control the use of water resources at the corporate level.

Since the commencement of Russia's military operation in Ukraine, the principal challenge in water management has been to ensure the uninterrupted functionality of pumping stations and ancillary equipment for the circulation of water supply. To circumvent adverse outcomes, particular operational modes for the primary technical apparatus were devised, and the time frames for the systems utilising process water recycling were extended. In order to ensure the stability of the operational process, the monitoring of the technical condition of the recycled water supply systems was intensified, and the intervals between overhauls were shortened. In 2023, PJSC Interpipe NTRP replaced filter materials at the chemical water treatment plant, cleaned cooling tower sludge, and cleaned the clarifier pond by replacing oil absorbing booms. The objective of the implemented measures was to enhance the quality of recycled water and minimise the volume of recharge for recycled water supply cycles. The Group's future plans include repairing the clean and dirty cycle cooling towers at the Wheel Rolling Shop pump station with the goal of reducing its overall water consumption.

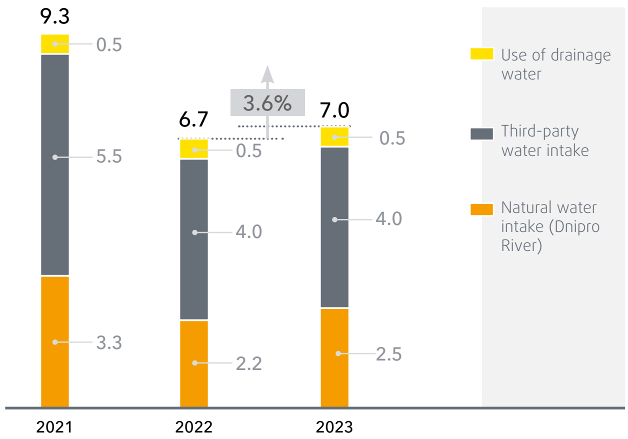
In 2023, the Group did not withdraw water in areas of high water stress or in areas of low water availability. One of the challenges was the destruction of the Kakhovka HPP dam, which resulted in a significant shallowing of the region's water bodies. This led to significant difficulties in extracting water from existing water sources. The specialists of Interpipe Niko Tube LLC helped to overcome the consequences of the Kakhovka HPP destruction. For example, in June 2023, Interpipe provided assistance to Energoresursy PJSC, a supplier of both industrial and drinking water to the company's industrial site. The funds were allocated for the restoration of the water intake of the onshore filtering station, the purchase of auxiliary materials, pumps, pipes, and the engagement of relevant specialists. In light of the significant environmental disaster, other Group companies have exercised caution in their use of water. In 2023, the Ministry of Municipal, Regional and Infrastructural Development provided assistance with the construction of a new main water pipeline, Marhanets – Nikopol – Pokrov, to meet the consumption needs of businesses and the community, due to the decline in water levels in nearby reservoirs.



The success of water management strategies and practices is measured in terms of annual water consumption, expressed in thousands of cubic meters. Water consumption and wastewater disposal are measured by Group companies using commercially available equipment. Data is collected and processed through the corporate ERP system "IT-Enterprise". In 2023, Interpipe Group withdrew 7,000 cubic meters of water. The entire water intake process was conducted within Dnipro region. This indicator shows a positive increase in line with the recovery trend of production activities, which experienced a significant decline due to the full-scale military operation in 2022.

PICTURE 63.

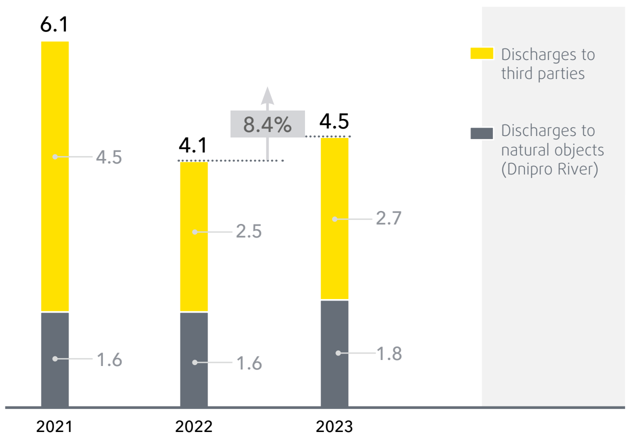
Total volume of water consumed by Interpipe Group, disaggregated by source, thousand cubic meters



In 2023, the total volume of wastewater discharged by Interpipe Group companies reached 4,468.5 thousand cubic meters, representing an 8.4% increase compared to 2022.

PICTURE 64.

Total volume of wastewater discharged by Interpipe Group companies by point of discharge, thousand cubic meters

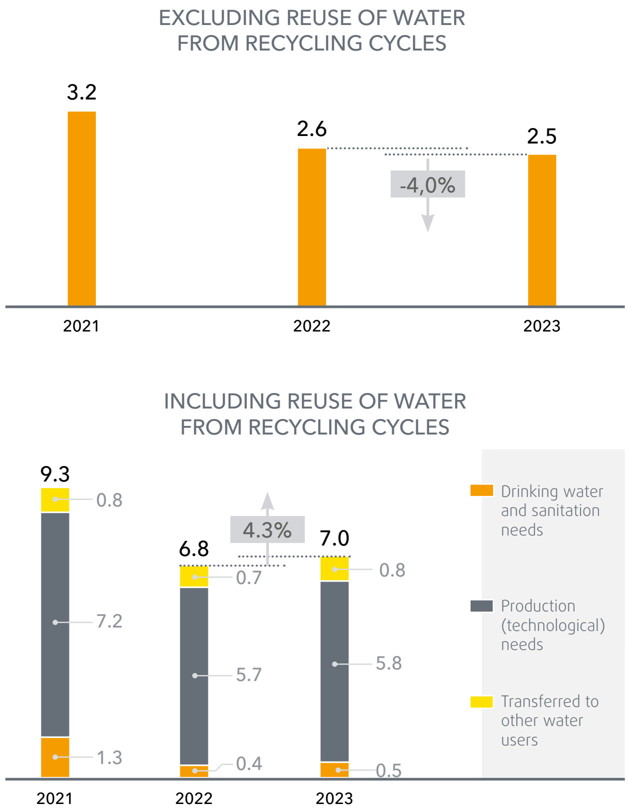


The quality of wastewater discharged into surface waters is regulated by setting maximum allowable limits for the discharge of pollutants. PJSC Interpipe NTRP, which discharges water into the Dnipro River under a permit, has implemented the "Organization of Wastewater Quality Control" procedure. It establishes the primary guidelines for the monitoring of recycled, drainage, and wastewater at the enterprise level. The wastewater generated by PJSC Interpipe NTRP is conveyed to pump and filter stations (PFS) for subsequent treatment. The industrial and rainwater treatment processes at NFS are performed in three distinct stages. In the first stage, the wastewater is treated with a coagulant and a flocculant in separate mixing tanks. The next stage is the settling of the treated wastewater in sedimentation tanks. Finally, the treated effluent is filtered through two-chamber mechanical filters loaded with anthracite and two-chamber coal filters. In 2023, there were no unauthorized wastewater discharges that exceeded the allowable limits for pollutants.

In 2023, Interpipe Group reduced the use of primary water resources by 4.0% compared to 2022, while the actual water consumption of its companies increased by 4.3%. This was made possible by improving the water recycling system that supplies our production needs with recycled water.

PICTURE 65.

Total water consumption by Interpipe Group companies, thousand cubic meters



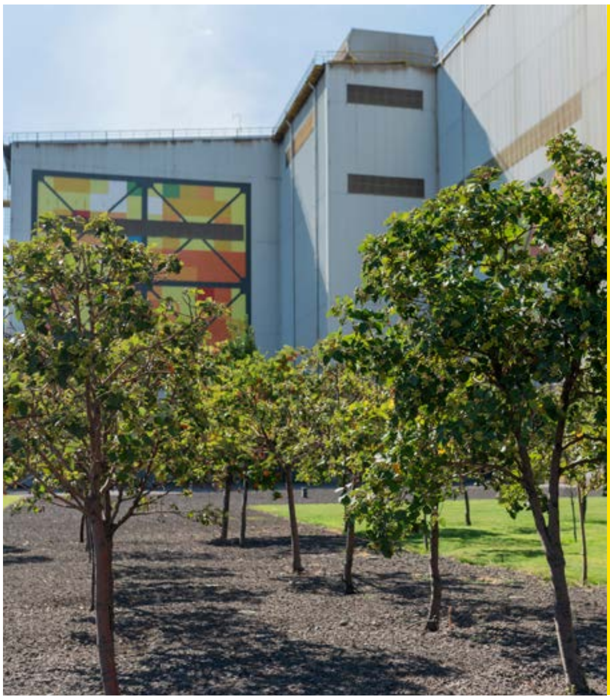
In its production processes, Interpipe Group implemented new technologies and methods, with a particular focus on increasing the reuse of water in production and technological cycles. In 2023, 95.3% of the water used was purified and returned to the water use system. To guarantee the sustainable use of water, the Group is taking measures to increase the reuse of wastewater and to reduce water consumption at its companies. During the reporting year, we completed the installation of cooling towers at the pumping station of the thermal department of the Wheel Rolling Shop of PJSC Interpipe NTRP. This initiative forms part of the Group's overarching strategy to reduce water consumption. Furthermore, in accordance with the plan, in 2023 the company initiated a project to install technical units for metering drinking water consumption in the divisions of Interpipe Niko Tube LLC in the city of Dnipro.

BIODIVERSITY PROTECTION

One of the Group's key environmental management objectives is to ensure compliance with the fundamental principles of biodiversity conservation across all areas of its activities. Recognising the importance of protecting and restoring the region's ecosystems, Interpipe Group keeps abreast of changes in the definition of protected areas and objects of the Nature Reserve Fund of Ukraine. In particular, the Group implements measures to preserve certain species of flora and fauna and their natural habitats.

It is the responsibility of the management of production departments at the level of the companies within the Group to implement and execute environmental measures designed to preserve biodiversity. In 2023, Interpipe Group did not identify any potential direct or indirect impacts on the state of ecosystems at any stage of its value chain.

Every year, all companies within Interpipe Group conduct annual noise pollution assessments within their respective sanitary protection zones. In 2023, the measurement results were found to comply with the standards set by the legislation of Ukraine.



Our activities are not conducted within protected areas or in areas with high biodiversity value.

Furthermore, Interpipe Group's activities do not have any known impact on rare, endangered or threatened species of flora and fauna listed in the Red Data Book of Ukraine.

ENERGY CONSUMPTION AND ENERGY EFFICIENCY

Interpipe Group attaches great importance to the effective management of energy resources in its production activities. Our companies have policies and guidelines for the optimal management of energy-related issues. Energy consumption data is systematically collected and analysed, and energy use is planned and improved to increase the energy efficiency of production processes.

The shelling of Ukraine's power grid by Russia has highlighted the importance of our principles of rational and balanced energy management. The Group's business operates in an environment of electricity scarcity, which gives rise to supply constraints. We have revised our operational procedures to align with the power outage schedules and have implemented measures to minimise the damage caused by sudden power outages. In the event of a power outage, most equipment has an alternative power supply. A special procedure has been developed for Dniprostal Steel Works LLC employees in the event of power cuts. The Group actively manages its exposure to the energy sector. In particular, the updated version of the Energy Management System Guidelines, approved in 2023, incorporates an updated risk map for steel production facilities.

To ensure the efficient use of energy, the Group has developed and adopted energy consumption standards for each unit of product manufactured. Energy efficiency indicators are monitored on a daily basis. Based on the analysis of monthly, quarterly and annual data, corrective measures are implemented with the objective of optimising and reducing energy costs.

During the reporting period, JSC Interpipe Dneprovtormet completed the installation of LED-based lighting fixtures in its premises and performed maintenance on high-voltage power transformers. Diesel generators were also purchased to ensure uninterrupted power supply to the company's critical facilities. In 2023, JSC Interpipe Dneprovtormet successfully completed a project aimed at modernising the heat supply system of Shop No. 4. This entailed the replacement of existing pipes with a diameter ranging from 700 to 300 millimetres with new pipes with a diameter of 80 millimetres. This resulted in an 8.9% reduction in heat consumption at the enterprise compared to the previous year.

In 2023 both internal and regulatory audits of the energy management system were carried out in the Group companies. The energy management systems of PJSC Interpipe NTRP, Interpipe Niko Tube LLc, and Dniprostal Steel Works LLC have been found to comply with the international standard ISO 50001:2018, having successfully passed the recertification process in 2023-2024.

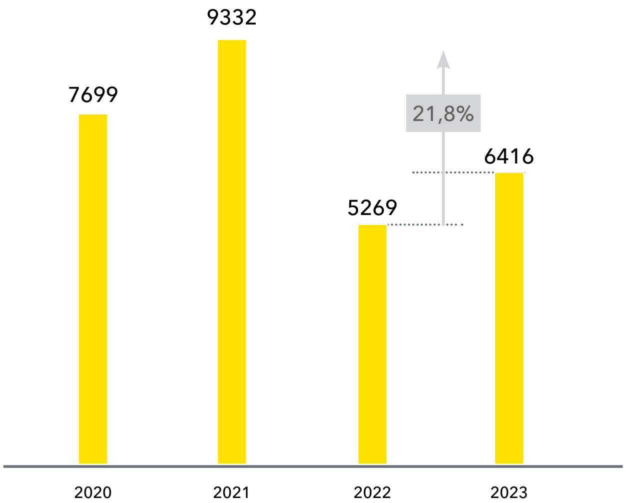
The implementation of an automated commercial energy metering system (ACES) and remote updating of meter data within the IT Enterprise corporate system enables the automation of data transmission channels to the internal energy service and the energy supply company.

Interpipe Group maintains a daily monitoring system for both electricity and natural gas consumption. Compliance with approved fuel and energy consumption standards is also discussed at monthly meetings. The reduction in natural gas consumption is achieved by adjusting the combustion process, using gas analysis methods and redesigning the compressed air networks between the various operational facilities. One of the primary objectives is to facilitate the energy efficient use of natural gas. To achieve this, the development of an Automated Gas Control and Metering System (AGCMS) is being pursued. Interpipe Group regularly conducts training courses for energy service employees who are responsible for the operation of energy management systems.

In order to gradually restore and optimise production processes in the context of the ongoing war, Interpipe Group consumed 6,417 TJ of energy, representing a 22% increase compared to 2012. Despite the Group's best efforts, the resumption of pre-war production levels is a gradual process, constrained by the inherent challenges of wartime.

PICTURE 66.

Total energy consumption within the Group, TJ



Due to power outages, we had to find alternative ways to power our equipment. In particular, the use of diesel generators increased diesel fuel consumption by 50%. The total volume of fuel consumed in 2023 increased by 27.2% compared to the previous year. In the reporting year, Interpipe Group consumed 3,875.49 TJ of fuel.

TABLE 16. VOLUME OF FUEL CONSUMED BY INTERPIPE GROUP COMPANIES

Fuel type	Unit of measurement	2021	2022	2023
Total fuel consumed, including:	TJ4	6,099.2	3,045.9	3,875.5
Natural gas	TJ	6,056.5	3,024.2	3,839.9
	mln m3	175.6	87.7	111.4
Diesel fuel	TJ	40.1	19.6	33.5
	mln L	1.1	0.6	0.9
Petrol	TJ	2.2	1.8	1.6
	thou. L	68.7	55.3	49.9
Liquefied petroleum gas	TJ	0.3	0.3	0.5
	thou. L	13.6	16.0	22.4

Electricity consumption increased by 14% compared to 2022 and totalled 705.8 GWh/year. Concurrently, there was a notable decline in the proportion of renewable energy sources, while the share of nuclear and thermal energy used by the Group increased.

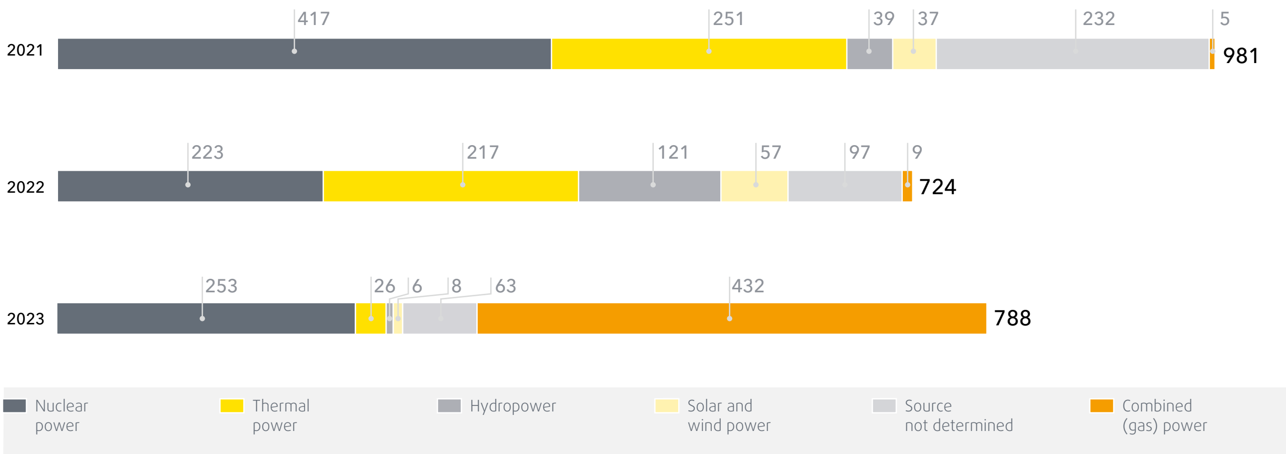
TABLE 17. VOLUME OF ELECTRICITY CONSUMED BY INTERPIPE GROUP COMPANIES

Energy type	2021[4]		2022		2023	
	MWh/ year	TJ	MWh/ year	TJ	MWh/ year	TJ
Total electricity consumed, including:	879,138	3,165	617,569	2,223	705,830	2,541
Electricity generated from renewable energy sources (hydro power, solar power, and wind power)	68,420	246	151,528	546	12,440	45
Thermal power	229,514	826	193,124	695	410,416	1,477
Nuclear power	370,831	1,335	191,828	691	226,267	815
Other types of power (source not specified)	210,373	757	81,089	292	56,707	204

Interpipe Group comprises a legal entity whose function is to procure electricity on the Ukrainian market. Dneprosteel Energo LLC is a supplier of electricity to major industrial enterprises in the Dnipro region, providing energy services to both the Group's own companies and other customers. The company is able to offer optimal prices in a non-monopolised market by selling energy to consumers at a free tariff. The structure of the Group's purchased electricity sources is shown below.

PICTURE 67.

Source of purchased electricity (GWh/year)



Since any legal entity can be a customer of Dneprosteel Energo LLC, we sell the excess electricity purchased to other entities outside the Group. In particular, in 2023, almost 82 GWh/year of electricity was supplied to third parties.

TABLE 18. ELECTRICITY SOLD BY INTERPIPE GROUP TO THIRD PARTIES, MWH/YEAR

Indicator	2021	2022	2023
Electricity sold to a third party	81,740	106,662	81,936

We are in dialog with our customers about the energy requirements of products sold by the Group that require further processing. In the case of our business, that product is steel billets and pipe billets. At present, our customers have limited access to energy consumption data. However, we are continuously expanding the list of counterparties that will share such information with us.

4 Electricity consumption data for 2021 has been adjusted in accordance with the revised reporting of the Group's Finance and Economics Department

AIR EMISSIONS AND CLIMATE CHANGE MITIGATION

To prevent negative impacts, we integrate environmental principles into our daily activities, paying particular attention to minimising emissions of greenhouse gases and hazardous substances.

Group companies adhere to all applicable statutory emission limits and possess the requisite permits for the release of pollutants into the atmosphere. In accordance with the requirements of Ukrainian legislation, we submit official statistical reports on our emissions on an annual basis. In accordance with the Monitoring, Reporting and Verification Mechanism, the Group's major companies have prepared individual operator reports on greenhouse gas emissions from 2022 onwards. Regular monitoring of the air conditions in the vicinity of the sanitary protection zones ensures compliance with the required emission standards, reliable operation of the treatment equipment and timely maintenance of the gas boilers.

IMPLEMENTATION OF THE CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

Interpipe Group is actively adapting to the new EU regulatory requirements, in particular the Border Carbon Adjustment Mechanism (CBAM). A transition period for CBAM was introduced in October 2023 and will last until 31 December 2025. The mechanism will be fully operational from 2026.

The objective of CBAM is to ensure that the price of an imported product to the EU market reflects its carbon content. The mechanism is designed to encourage producers and consumers to adopt technologies with a reduced carbon footprint. The Group is engaged in comprehensive accounting procedures and exploring methods to minimise the carbon footprint of its products. This includes the implementation of energy-efficient technologies, the use of alternative energy sources and the optimisation of logistics processes.

During the transition period, exporters are required to submit a quarterly CBAM report, including details of export volumes, specific GHG emissions (direct and indirect), and GHG payments made in the country of origin.

In the reporting year, we initiated a collaboration with a prominent representative of the consulting services industry to prepare the CBAM report for the fourth quarter of 2023. As a result, we have developed a model to calculate specific (embedded) emissions for all types of products cleared in the EU and subject to the CBAM mechanism. These products include steel billets, seamless pipes, welded pipes and their precursors, namely cast iron, ferromanganese (FeMn), ferrochromium (FeCr), and hot-rolled steel coils. The following operators of the Group's production facilities are responsible for submitting CBAM reports: Interpipe Niko Tube LLC, Interpipe NMPP JSC, and Dnipro Steel Works LLC.

Based on the actual calculations, we have identified key areas for improvement and opportunities to further reduce the carbon intensity of our products.

In addition, Interpipe Niko Tube's Life Cycle Assessment (LCA) and Environmental Product Declaration (EPD) initiatives, implemented in accordance with international ISO standards, are part of our approach to preparing for CBAM requirements. The implementation of these measures will ensure the company's sustained competitiveness in the European market, while simultaneously reducing its negative impact on the climate.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD[5]) RECOMMENDATIONS

Interpipe Group is fully aware of the importance of global warming and climate change. We are already taking significant steps to build a sustainable business model. By reducing both direct and indirect greenhouse gas emissions, we are also improving the Group's competitiveness in the global marketplace.

Interpipe Group has begun implementing the recommendations of the Task Force on Climate Change Financial Disclosures (TCFD). By following these recommendations, we will not only be able to transparently report on the Group's actions to mitigate climate risks, but also manage them more effectively. The implementation of the TCFD recommendations contributes to the integration of environmental aspects into the Group's strategic planning. This strengthens the resilience and adaptability of our business in the context of climate change.

1. MANAGEMENT

In recent years, the Board of Directors has placed a growing emphasis on developing a business strategy that aligns with the global transition to a low-carbon economy. The Board's ultimate responsibility is to ensure and control the management of sustainable development and climate change issues as the final decision maker. The Board of Directors approves the allocation of capital to climate-related initiatives as part of the financial performance of the Group's sustainable development strategy. Moreover, the Board of Directors has approved and periodically reviewed the Group's climate change goals.

In the reporting year, the Group's ESG Committee started its activities. The Committee conducts a monthly review of the current climate change goals and objectives. Furthermore, the Group regularly develops and implements measures to enhance its resilience to climate change. The Committee is comprised of the CEO, heads of relevant departments, the Secretary, and invited members.

In addition, all of the Group's organizational subdivisions are involved in activities related to sustainable development and the management of the Group's climate risks and opportunities:

- The Human Resources Directorate is responsible for training employees and conducting climate change awareness activities.
- The Group's Communications Department is responsible for internal and external communication with all stakeholders regarding the Group's intentions and achievements in this area.
- The Sales/Marketing/Customer Service department is responsible for the design, development, marketing, and sale of new environmentally friendly products. Furthermore, the department is responsible for adapting to customer needs, developing business strategies that align with sustainable development goals, and monitoring local and global developments related to climate change.
- The Financial and Economic Service is responsible for investment support and climate change reporting.
- The Procurement and Logistics department is accountable for the Group's responsible procurement, the procurement of low-carbon and carbon-neutral raw materials, and the efficiency of the Group's supply chain management. Furthermore, the department provides assistance in the decarbonization of logistics processes.

This reinforces the stability of our organizational structure as we continue to pursue a low-carbon transformation. This process allows the Group to identify risks and opportunities more efficiently, enabling a quick response in a short period of time.

To ensure effective emissions management at the Group enterprise level, specific regulations and instructions have been developed and implemented. The heads of the production sites are responsible for complying with these requirements. In accordance with his qualifications and expertise, the Director of Environment and Industrial Safety is responsible for assessing and monitoring the impact of climate change on Interpipe Group.

2. STRATEGY

In 2023, we initiated a comprehensive climate modeling program that includes both qualitative and quantitative analysis across our value chain. This program is designed to assess the resilience of our product portfolio under a range of external conditions. While scenario analysis does not predict the future, it allows us to gain a deeper understanding of the potential impacts of climate change on the Group. This type of analysis is an important tool for strategic planning, risk management, and assessing our strategic resilience.

The results of this modeling confirmed our expectations that the Group will have to overcome climate risks associated with the transition period (risk 1 and risk 2) for the foreseeable future. In the long term, physical climate risks may pose a greater threat to our production (risk 3):

5 Task Force on Climate-Related Financial Disclosures (TCFD), ***https://www.fsb-tcfd.org/***

1. **Risk of additional costs due to the implementation of the Border Carbon Adjustment Mechanism (CBAM).** This risk is associated with the relatively high expected level of indirect embedded emissions from the Group's own precursor, steel billets produced at Dniprostal Steel Works LLC. This risk did not have a financial impact on the Group in the reporting year, but is likely to occur in 2026.

2. The Group's emission price may increase due to the introduction of the **Ukrainian Greenhouse Gas Emission Trading System (UA ETS).** Currently, the tax on CO_2 emissions in Ukraine is UAH 30 per ton (approx. $0.74[6]), which is not a significant burden for Interpipe Group. However, the situation may change significantly after the launch of the UA ETS, which will certainly lead to an increase in the cost of emissions. For example, the cost of carbon in the EU is projected to rise to $140 per metric ton of CO_2 equivalent by 2030[7] (in early 2024, the cost of carbon was $60-80 per metric ton of CO_2 equivalent). The Ministry of Environmental Protection and Natural Resources of Ukraine is currently evaluating the feasibility of implementing the UA ETS in a pilot phase in 2025, with full implementation planned for 2026.

3. Prior to the destruction of the Kakhovka HPP dam on June 23 as a result of the armed conflict, the Group was not facing any **risk of water shortage** for its production activities. As shown on the water stress map of Ukraine,[8] our production sites are not located in water-stressed regions. Following the destruction of the dam, Interpipe Niko Tube LLC was forced to potentially cease activities due to a lack of water in the region. While the current level of water stress in the city of Nikopol is relatively low, the availability of water resources in the region is expected to decrease under RCP 4.5 and RCP 8.5[9] climate change scenarios, leading to increased competition between consumers.

While the Group still faces significant challenges, its unique position allows it to meet these challenges effectively. Our geographic location, supply chain flexibility, and diversified product portfolio provide us with the resilience and flexibility to transition to a low-carbon model and create new growth opportunities. The Group has been able to build on a solid foundation for further transformation based on energy efficiency, new green products, services, markets and assets, all in the context of the transition to a low-carbon economy accelerated by climate change, thanks to significant technological advances and associated reductions in greenhouse gas emissions that have occurred in recent years.

The climate strategy of Interpipe Group encompasses a range of measures, including the adaptation of raw material sourcing policies, the management of energy and resource efficiency in operations, the development of low-emission products and processes through innovation and research, investment programmes aimed at reducing emissions, the implementation of an IT system infrastructure for the calculation and monitoring of emissions, a governance approach, corporate risk management, human resources policies to raise employee awareness of climate change, a sales and marketing strategy including education and corporate communications, and financial issues related to green investments.

3. RISK MANAGEMENT

The Group manages climate risks by considering existing strategic, financial and operational risks. The Group's risk management system is designed to identify, assess and mitigate risks in order to minimize their potential impact and support the achievement of the Group's long-term objectives and business strategy. The system is supported by the following processes:

- A top-down assessment is conducted at the Group level to provide a clear understanding of the organization's key risks;

- Concurrently, a bottom-up assessment is conducted, aggregating individual production and market estimates.

Once new risks have been identified, their impact is evaluated. The Group engages with external stakeholders to gain a deeper understanding of the issues that matter most to them. For each issue, we evaluate the level of stakeholder concern and potential impact on the business.

Our risk management, processes, and reporting incorporate climate risks and opportunities. Climate analysis is an area of rapid development. In 2023, we implemented substantial improvements to our methodology and tools for identifying, assessing, and managing our climate risks and opportunities. The methodology used for the 2023 assessment and how the results were integrated into the overarching climate change strategy is outlined above. The results continue to be integrated into our strategic planning and risk management system to strengthen our resilience, mitigate impacts and improve the effectiveness of our climate change adaptation strategies. The Board of Directors is regularly informed of the results of this ongoing work.

6 Calculated based on the official NBU exchange rate as of June 30, 2024, ***https://bank.gov.ua/ua/markets/exchangerates***
7 International Energy Agency, World Energy Outlook 2023, ***https://iea.blob.core.windows.net/assets/86ede39e-4436-42d7-ba2a-edf61467e070/WorldEnergyOutlook2023.pdf***
8 WWF Water Risk Filter, ***https://riskfilter.org/water/explore/map***
9 For this analysis, the Representative Concentration Pathway (RCP) scenarios approved by the Intergovernmental Panel on Climate Change (IPCC) were used. The RCP 4.5 scenario assumes a carbon concentration in the atmosphere that causes global warming by an average of 4.5 watts per square meter (W m2) across the planet, and the RCP 8.5 scenario – by 8.5 W m2.

4. METRICS AND OBJECTIVES

We align with the objectives of the European Green Deal and have established an ambitious objective to reduce the Group's greenhouse gas emissions by over 65% from 2010 levels by 2030. The overarching objective of the Group is to achieve complete climate neutrality by the middle of the century. This will ensure the well-being of future generations.

Key indicators for monitoring climate change include emissions of CO_2, methane and other greenhouse gases. CO_2 is the most prevalent of the seven greenhouse gases in the steel industry in terms of volume. Accordingly, the primary metric used by the Group to assess the effectiveness of its initiatives is the absolute volume of greenhouse gas emissions in metric tons. CO_2– equivalent and specific greenhouse gas emission intensity per 1 metric ton. CO_2 – eq. of steel produced. To calculate direct and indirect emissions, we follow the accounting and reporting standards of the Greenhouse Gas Protocol.

In 2023, we achieved a 50% reduction in the specific carbon intensity of indirect emissions (Scope 2). However, there was a slight increase in the amount of direct greenhouse gas emissions (Scope 1) generated per metric ton of steel produced. The total Scope 1 and Scope 2 greenhouse gas emissions per tonne of steel were 0.385 tonnes of CO_2 equivalent, representing a 20% reduction compared to 2022. In addition, the reporting year marked the inaugural calculation of the Scope 3 carbon intensity indicator for indirect emissions linked to the value chain.

TABLE 19. GREENHOUSE GAS EMISSIONS BY INTERPIPE GROUP COMPANIES, THOUSAND METRIC TONS OF CO_2-EQ For the year ended 31 December 2022

Scope	2020	2021	2022
Total greenhouse gas emissions[10], including:	1,286.0	1,376.3	905.5
Direct Greenhouse Gas Emissions (Scope 1)	376.2	422.1	222.8
Including by assets:			
Dneprosteel LLC	84.9	99.0	61.8
Niko Tube LLC	164.1	211.3	118.7
PJSC Interpipe NTRP	62.6	56.1	29.4
Interpipe NMPP JSC	1.8	2.1	0.5
Society Dishware Novomoskovsk LTD	1.0	0.6	0.2
Interpipe Dneprovtormet JSC	2.6	3.2	1.9
Limestone Factory LLC	59.2	49.8	10.3
Indirect greenhouse gas emissions – market-based method (Scope 2)[11]	342.2	253.2	232.8
Including by assets:			
Dneprosteel LLC	167.1	187.4	166.2
Niko Tube LLC	109.6	45.1	48.5
PJSC Interpipe NTRP	43.4	12.8	10.8
Interpipe NMPP JSC	7.0	2.1	1.5
Society Dishware Novomoskovsk LTD	11.0	4.4	4.3
Interpipe Dneprovtormet JSC	2.9	1.1	1.2
Limestone Factory LLC	1.2	0.3	0.2
Indirect greenhouse gas emissions (Scope 3)[12] – material categories_	567.5	700.9	449.9
This includes following material categories:			
Category 1 – Procurement	364.8	391.1	213.8
Category 3 – Other energy emissions	84.1	143.3	98.1
Category 4 – Inbound logistics	22.4	27.4	21.1
Category 7 – Transport of employees	20.1	23.1	18.4
Category 9 – Outbound logistics	54.0	77.4	66.1
Category 10 – Processing of products sold	13.2	28.6	27.4
Other	8.9	10.0	5.0

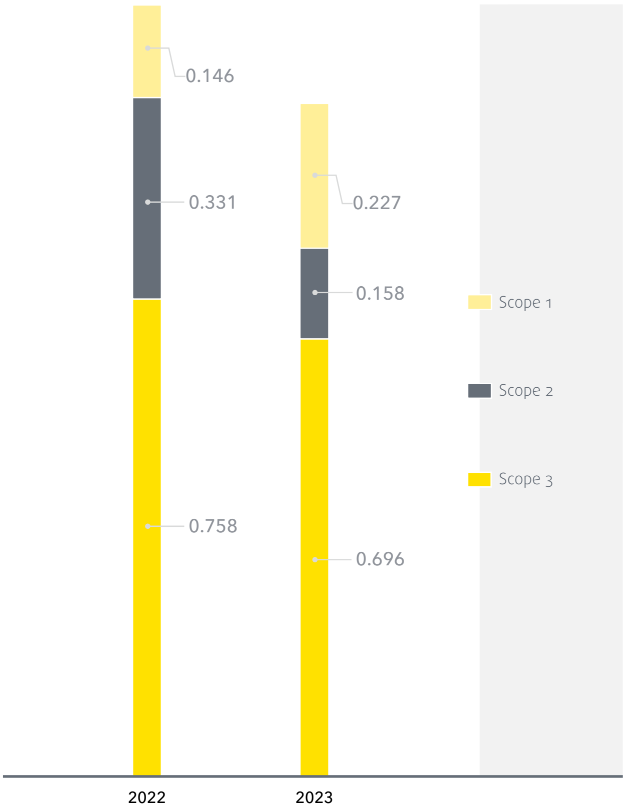
10 The calculations included emissions of all greenhouse gases in terms of CO_2 equivalents (global warming factors according to the IPCC Sixth Assessment Report) and used a data consolidation approach based on operational control. The calculated volumes of all greenhouse gas emissions include data from the following companies: PJSC Interpipe NTRP, JSC Interpipe NMPP, Interpipe Niko Tube LLC, Dniprostal Steel Works LLC, and JSC Interpipe Dneprovtormet, Society Dishware Novomoskovsk LTD, Limestone Factory LLC.

11 In calculating indirect greenhouse gas emissions (Scope 2), specific emissions per unit of electricity consumed were obtained through the use of primary data (coefficients) based on a market-based approach.

12 Indirect GHG emissions (Scope 3) were calculated using the following categories based on the criteria of relevance and materiality in accordance with the GHG Protocol's Corporate Value Chain Accounting and Reporting Standard (Scope 3): "Category 1 Procurement", "Category 2 Capital Construction", "Category 3 Other Energy Emissions", "Category 4 Inbound Logistics", "Category 6 Business Travel", "Category 7 Employee Transportation", "Category 9 Outbound Logistics", "Category 10 Processing of Sold Products", "Category 13 Leased Facilities (Product Sales)", "Category 15 Investments".

PICTURE 68.

Specific greenhouse gas emissions per 1 metric ton of steel produced



Compared to 2010, Interpipe Group has already reduced its CO_2 emissions by at least 70%.

The main reasons for this decrease were as follows:

- Technological upgrades and efficiency improvements included the start-up of an electric arc furnace (EAF), which enabled the company to cease production of open-hearth products and substitute purchased steel billets with those produced in-house. Additionally, an energy conservation investment program was implemented.
- General decline in sales (including welded pipes) and changes in product assortment.
- Growth of the share of green and carbon-neutral energy use in accordance with the volumes for 2023.

The Group has already achieved a significantly lower carbon intensity of its steel production processes than many of its competitors, thanks to the advanced electric arc furnace complex of Dniprostal Steel Works LLC. This offers a strategic advantage in the context of transitional risks associated with climate change.

Following the commissioning of the Electric Arc Furnace (EAF) in 2012, the Group's electricity consumption increased significantly, but remained dependent on production volumes. Specifically, compared to 2010, consumption increased by 39% in 2023. If sales and production continue to grow until 2030, consumption is expected to increase by another 40%.

There was a **Picture 69** discrepancy between the energy balance of the Group in 2010 and the structure of the energy balance of Ukraine at that time. The structure of the energy balance in 2023 was affected by two major factors: the introduction of a new open electricity market in July 2019, and the destruction of key TPP capacity as a result of Russian air strikes.

The Group is anticipated to procure electricity in accordance with the projected national energy balance for 2030, as outlined in the baseline scenario. Namely, the following is expected:

- An increase in renewable energy production due to the implementation of the state program to increase the share of renewable energy sources to 25% by 2030, as well as the return of solar power plants in the occupied territories;
- An expansion of nuclear capacity through the construction of new units at existing nuclear power plants (NPPs);
- The near-total devastation of TPP and HPP capabilities, coupled with the advent of distributed generation in the context of storage capacity integration.

The ambitious 2030 scenario (increased sales) is predicated on the assumption that the Group will be able to achieve carbon neutrality through the purchase of energy generated from renewable sources, including hydro and nuclear power.

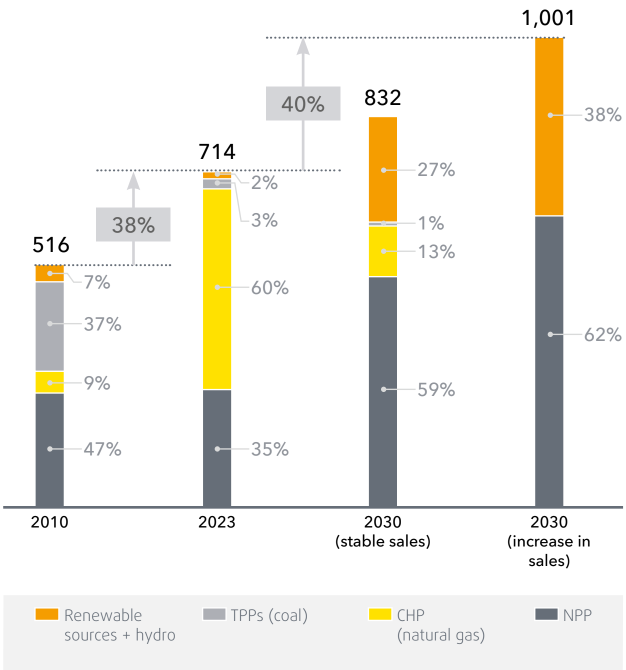
Should the sales level of 2023 be maintained, Interpipe Group will have reduced its total greenhouse gas emissions by 7% by 2030 compared to 2023. The main reasons for this decrease will be as follows:

- New investments in the development of heat treatment processes for pipes and railway products;
- Other energy efficiency projects in 2026-2030;
- Shifting the electricity balance toward carbon-neutral sources;
- Implementation of a procurement policy, including the selection of suppliers based on CO_2 emissions, and the replacement of some cast iron with railway scrap.

If sales grow in line with our strategy, total GHG emissions will increase by 16% by 2030 compared to 2023.

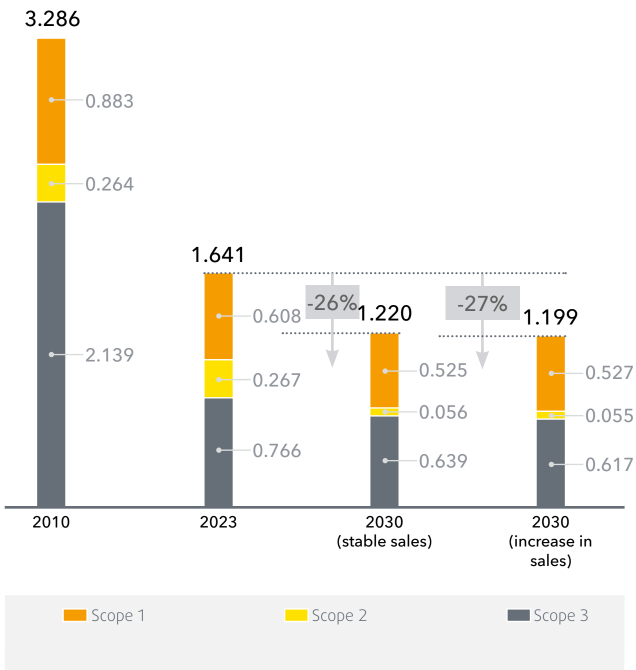
PICTURE 69.

Dynamics of electricity consumption per year and changes in the structure of the electricity balance, MWh



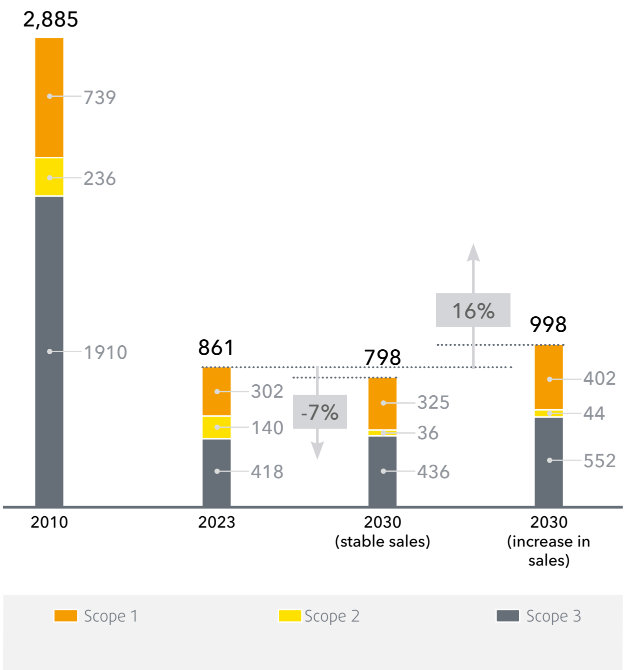
PICTURE 71.

Dynamics of emissions per metric ton of seamless pipe, thous t CO2-eq



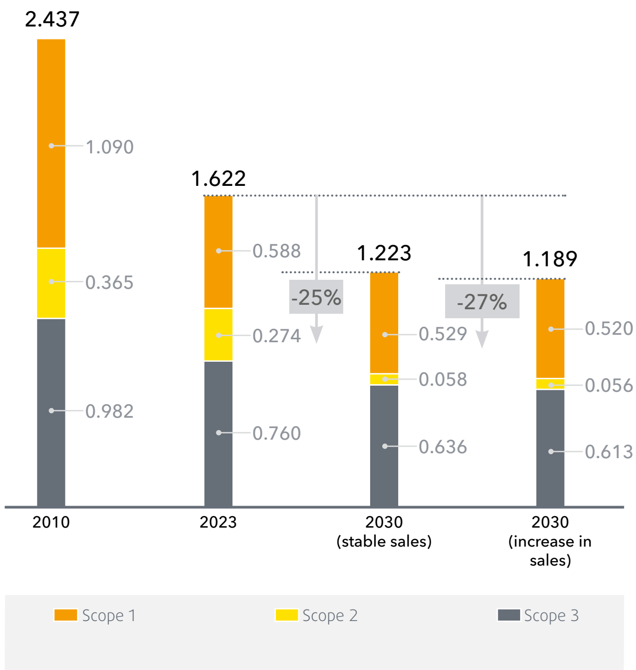
PICTURE 70.

Dynamics of GHG emissions, thousand metric tons of CO2-eq



PICTURE 72.

Dynamics of emissions per metric ton of railway products, thousand metric tons of CO2-eq.



AIR POLLUTANT EMISSIONS

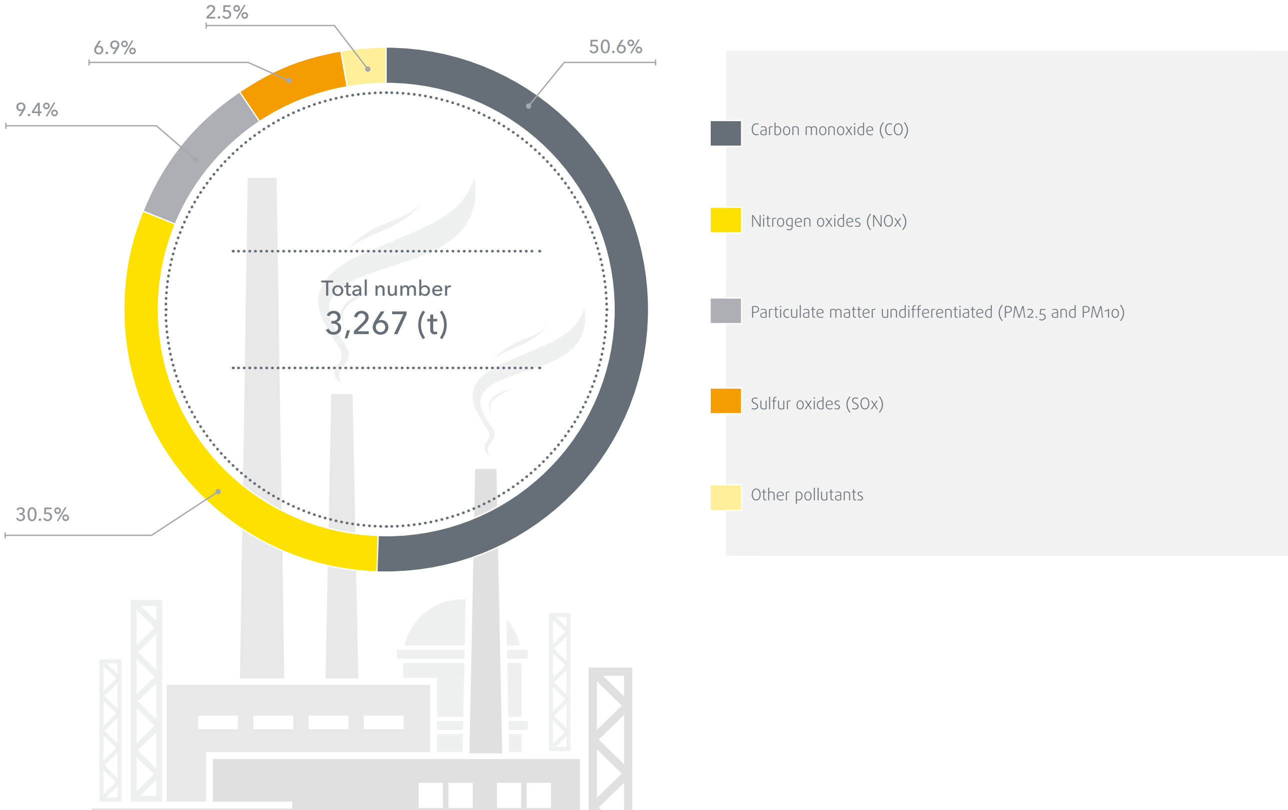
In 2023, the activities of Interpipe Group companies generated 3,267 metric tons of air pollutant emissions, an increase of 21% compared to 2022. The largest volume of emissions, 51%, was carbon monoxide.

TABLE 20. AIR POLLUTANT EMISSIONS BY INTERPIPE GROUP COMPANIES, METRIC TONS

Name of the pollutant	2021	2022	2023
Total (metric tons), including::	5,579.5	2,696.6	3,267.0
Carbon monoxide	2,901.0	1,414.2	1,654.0
Nitrogen dioxide	1,723.2	798.9	997.7
Sulfur oxides	305.1	174.6	225.8
Volatile organic compounds (VOC)	157.1	71.6	80.8
Particulate matter undifferentiated by composition	492.7	237.8	308.3
Manganese dioxide (MnO_2)	0.35	0.22	0.34
Lead (Pb)	0.06	0.04	0.04

PICTURE 73.

Structure of air pollutant emissions by Interpipe Group companies in 2023



MATERIALITY AND STAKEHOLDERS

IDENTIFICATION OF MATERIAL ISSUES

On an annual basis, we analyse and identify key social, environmental, and economic issues that are relevant to the specifics of the Interpipe Group's activities. These issues are not only of objective interest to all stakeholders, they are critical to the success of the business.

To ensure their full disclosure in the 2023 Annual Report, we use the materiality assessment methodology in accordance with the requirements of GRI Standard 2021. This process includes the identification of the Group's impacts, the identification of material issues, and the analysis and assessment of their relevance to the Group's activities.

A review of 33 issues was conducted in the context of the Group's business activities. These issues were prioritized to determine those that require the most detailed disclosure in the Annual Report. This process included the following steps:

1. The identification of the Group's existing and potential economic, social, and environmental impacts;
2. An analysis of the Group's internal policies and standards;
3. An overview of key trends, tendencies, risks, and opportunities in the steel, wheel, and pipe industry;
4. A comparative analysis of material issues with other global steel companies operating in related industries;
5. A review of media publications pertaining to the core activities of Interpipe Group during the specified reporting period;
6. An examination of the disclosure requirements set forth by the Sustainability Accounting Standards Board (SASB) in its EM-IS Iron & Steel Producers industry standard.

After a comprehensive review and compilation of all relevant data, ten issues were identified that require detailed disclosure in the 2023 Annual Report.

THE MOST SIGNIFICANT	1. Emissions of greenhouse gases and other pollutants into the atmosphere 2. Health and safety of employees in the workplace 3. Waste management
SIGNIFICANT	4. Energy use and energy efficiency 5. Water use and wastewater discharge 6. Economic performance of the Company
LESS SIGNIFICANT	7. Procurement practices 8. Combating and preventing corruption 9. Diversity and equal opportunities 10. Human resources and human capital management
NOT SIGNIFICANT	Other 23 impacts

Compared to 2022, **waste management** received the highest score in 2023 and was included in the list of most important issues. The issue of **economic performance** also moved up one spot. **Diversity and Equal Opportunities** and **Human Resources and Human Capital Management were the new major issues.** Increased attention in industry publications and the media contributed to these changes.

However, to guarantee business transparency and provide more comprehensive and detailed information to our stakeholders, we have striven to include all topics and impacts, including those that were not deemed material in the materiality assessment, in the Interpipe Group's 2023 Annual Report.

INTERACTION WITH STAKEHOLDERS

Active interaction with stakeholders is a critical factor in achieving the business objectives of Interpipe Group. By fostering trusting relationships with customers, employees, and partners based on the principles of responsible business, we can gain a deeper understanding of their needs and requirements. We acknowledge our obligation to all stakeholder groups and endeavor to involve them in identifying material sustainability issues that have a significant impact on the Group's activities.

The Group has established policies and other documents that describe the standards of conduct expected of employees and management in their interactions with all stakeholders. In particular, they are:

CODE OF ETHICS
Updated 2021

RESPONSIBLE PROCUREMENT CHARTER
Updated in 2021

EQUALITY, DIVERSITY AND INCLUSION CHARTER
Updated in 2021

ANTI-CORRUPTION POLICY
Updated in 2021.

INTERPIPE ANTI-CORRUPTION AND ETHICS COMPLIANCE PROGRAM
Developed in 2023, approved in 2024

The key stakeholders of Interpipe include customers, employees, partners, the Board of Directors, investors and creditors, business associations, government agencies, educational institutions, the media, public and non-governmental organizations, and vulnerable groups.

The Group's Chief Executive Officer (CEO) and senior management team are responsible for managing stakeholder communications. It is the responsibility of the directors in each area to determine the needs and methods for engaging the various stakeholders.

All representatives of the relevant stakeholder groups are invited to contact us via the following communication channels:

- The Unified Hotline phone number, email, and feedback form are available at
- The Economic Security Service's Anti-Corruption Hotline is available at
- Direct communication with the services in the areas where suggestions are to be submitted

TABLE 21. LIST OF STAKEHOLDERS AND APPROACH TO ENGAGING THEM

Stakeholder group	Method of engagement	Frequency of engagement	Key issues	Engagement IN 2023
Customers	Meetings, negotiations, surveys, correspondence	Constantly	Operations, fulfillment of obligations	Yes (all methods)
Group employees and their families	Meetings, corporate media resources		Operations, development directions and prospects, motivation	
Partners (including suppliers)	Negotiations, meetings, correspondence		Operations, fulfillment of obligations	
The Board of Directors	Reports, meetings, correspondence	On a regular basis	Operations, fulfillment of obligations, business strategy	
Investors and creditors	Reports, meetings, correspondence		Operations, fulfillment of obligations, business strategy	
Business associations	Meetings, negotiations, correspondence		Operations, business strategy, and business development	Yes (minimum)
State authorities	Negotiations, meetings	If required	Operations, business development, and local community development and support	
Educational institutions	Meetings, negotiations		Business development, local community development and support	
Mass Media	Meetings and interviews		Operations, business development, and local community development and support	
Non-governmental organizations	Meetings		Operations, business development, and local community development and support	
Vulnerable populations	Meetings		Local community development and support	Yes

In 2023, Interpipe Group maintained active engagement with stakeholders, with a particular focus on key issues and challenges related to Russia's full-scale military operation in Ukraine. The main issues discussed were the potential risks associated with the Group's continued operations in the context of the ongoing armed conflict.

During the reporting period, there was a notable increase in interactions with key stakeholders, including investors, creditors, employees and other relevant parties within the strategic area. Issues related to operational activities were discussed, with resolutions reached to guarantee the stability of the Interpipe Group's operations and to mitigate potential risks.

Alternative logistics routes were investigated and production schedules modified to ensure uninterrupted supply and maintain market competitiveness.

Moreover, meetings and negotiations with key customers were conducted in 2023, including during international exhibitions. These interactions facilitated the preservation of mutually beneficial relationships and the acquisition of further insight into market needs. In the context of a challenging geopolitical environment, the following events contributed to strengthening partnerships and business development:

MARCH 2023, RIYADH, KINGDOM OF SAUDI ARABIA

Presentation of Ukrainian pipe products to construction companies and government organizations in Saudi Arabia. The business event was attended by 140 representatives of local construction and design companies.

JUNE 2023, ISTANBUL, TURKEY

Participation in Eurasia Rail 2023, one of the world's largest railway industry exhibitions, in collaboration with our Turkish partner Özar Group Railway Systems.

OCTOBER 2023, KYIV, UKRAINE

Kyiv International Economic Forum-2023, where the Group's experience of European integration and transformation during the war was discussed with representatives of the authorities, media and associations.

OCTOBER 2023, ABU DHABI, UNITED ARAB EMIRATES

Presentation of the complete range of high quality threaded joints of our own design at the largest energy exhibition in the Middle East, ADIPEC-2023, held in Abu Dhabi. The exhibition was attended by representatives of more than 2,000 companies and nearly 184,000 professionals from the energy, oil, and petrochemical industries.

OCTOBER 2023, JEDDAH, KINGDOM OF SAUDI ARABIA

Product conference for Saudi Arabian customers. A total of 138 participants, mainly construction companies and customers from the Middle East, attended the business event in Jeddah.

NOVEMBER 2023, KYIV, UKRAINE

XXI Annual CFO Forum, Ukraine 2023 The participants discussed the export of steel products to European markets and the development of sustainable development values in Ukraine.

The fall was also marked by a significant increase in communications with customers in Central Asia and the United States. In October, Interpipe Group participated for the first time in the OGT-2023 oil and gas industry exhibition in Turkmenistan, where it presented its premium pipe products.

In November, the North American branch of INTERPIPE Group organized a charity golf tournament in the United States (Houston), with the participation of over 90 customers and business partners.

In addition to examining key products and advances in the pipe and wheel sectors, the main objective for Interpipe Group representatives in 2023 was to disseminate information on the consequences of Russia's full-scale military operation in Ukraine.

ABOUT THIS REPORT

This document constitutes the second annual report of the Interpipe Group of Companies (hereinafter referred to as "the Group," or "Interpipe Group"). It provides a comprehensive account of both operational and financial results, as well as an in-depth analysis of the economic, environmental, and social impacts of the Group's activities. The main objective of this report is to provide transparency on the Group's performance and contribution to sustainable development. It also aims to facilitate the management of the positive and negative impacts that the Group has faced and created during the reporting period.

This Report was published on December 27, 2024, and covers the activities of Interpipe Group for the period from January 01, 2023 to December 31, 2023. In some cases, additional information is provided for the next reporting period before the publication of this Report.

This Report covers the following companies within Interpipe Group:

TABLE 22. LIST OF COMPANIES THAT ARE PART OF INTERPIPE GROUP.

Company's name	Country	Scope of the Company's activities
PJSC Interpipe NTRP	Dnipropetrovsk region, Ukraine	Production of railway wheels, bands, axles, and wheelsets
Interpipe NMPP JSC	Dnipropetrovsk region, Ukraine	Production of welded pipes
Interpipe Niko Tube LLC	Dnipropetrovsk region, Ukraine	Production of seamless pipes
Vallourec Niko Tube LLC	Dnipropetrovsk region, Ukraine	Varnishing and finishing of pipe products
Dneprosteel LLC	Dnipropetrovsk region, Ukraine	Production of steel billets
Dneprosteel Energo LLC	Dnipropetrovsk region, Ukraine	Electricity supply
Transkom Dnepr LLC	Dnipropetrovsk region, Ukraine	Transportation services
Limestone Factory LLC	Dnipropetrovsk region, Ukraine	Production of limestone
Society Dishware Novomoskovsk LTD	Dnipropetrovsk region, Ukraine	Production of enameled dishware
Interpipe Dneprovtormet JSC	Dnipropetrovsk region, Ukraine	Scrap Metal Procurement and Processing
Meta LLC	Dnipropetrovsk region, Ukraine	Recycling of scrap metal
Research and development center "Quality" LLC	Dnipropetrovsk region, Ukraine	Scientific research and development
Interpipe Management LLC	Dnipropetrovsk region, Ukraine	Management services
Interpipe Ukraine LLC	Dnipropetrovsk region, Ukraine	Trading
KLW Ukraine LLC	Dnipropetrovsk region, Ukraine	Trading
Interpipe Europe SA	Lugano, Switzerland	Trading
KLW-Wheelco SA	Lugano, Switzerland	Trading
North American Interpipe, Inc	Texas, the USA	Trading
KLW North America, Inc	Texas, the USA	Trading
Interpipe M.E, a free zone establishment with limited liability	Dubai, the UAE	Trading
Interpipe Central Trade GmbH	Frankfurt, Germany	Trading
Steel.One Limited	Nicosia, Cyprus	Sub holding
KLW Limited (former Saleks Investments Limited)	Nicosia, Cyprus	Sub holding
Interpipe Limited	Nicosia, Cyprus	Former parent company, sub holding
Interpipe Investments PLC	Nicosia, Cyprus	Performance Fee Debtor
IP Niko Tube GmbH	Frankfurt, Germany	Sub holding

Luhansk Vtormet Plant LLC is not included in this report, as it has been situated within the territory of Luhansk region of Ukraine, which has been under the occupation of Russia since 2014. Consequently, the plant has not been engaged in any business activities. In August 2024, the Group transferred its corporate rights in the charter capital of Luhanskyi Kombinat Vtormet LLC to a third party. Furthermore, the Report excludes the inactive companies Interpipe-M LLC and Interpipe Kazakhstan LLC, which are not engaged in any business activities. Liquidation proceedings were initiated against Interpipe-M LLC.

Adherence to international reporting standards enables the Group to make well-informed decisions and develop its business in a strategic and transparent manner, while maintaining open communication with all stakeholders. Accordingly, the Report has been prepared in accordance with the standards of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), which are internationally recognized standards for non-financial reporting.

At the time of preparing this Report, no industry-specific GRI standard for the metals sector had been published. Therefore, the identification of material issues and the process for their identification were carried out according to the standard procedure described in the section ***"Identification of material issues."*** It is worthy of note that the GRI Metal Processing Sector Standard has been included in the list of 10 priority sectors out of 40. We expect that the document will be published in the near future[1]. The activities of Interpipe Group are also subject to the SASB EM-IS Iron & Steel Producers industry standard, which serves as the basis for this 2023 Annual Report.

This Report provides an overview of the Interpipe Group's values, strategies, operational and financial results, human resources, health and safety, resource use and environmental impact, and outlines the Group's corporate management structure for 2023.

IN THE COURSE OF GATHERING DATA AND DRAFTING THE REPORT, WE ENSURED THAT ALL EIGHT GRI PRINCIPLES WERE TAKEN INTO ACCOUNT:

1. Balance. We report both the positive and negative aspects of our business in an unbiased and fair manner.

2. Completeness. The Report provides comprehensive coverage of all issues relevant to the Group's activities, including those pertaining to sustainability.

3. Accuracy. We ensure the accuracy of the qualitative and quantitative data presented in this Report through verification and the use of established techniques for data collection, aggregation and analysis.

4. Availability. The data in this Report is accessible and understandable to all stakeholders, eliminating the need for additional effort to understand its contents.

5. Comparability. In selecting standards, formats, and calculation methods, we prioritized the convenience of comparing and analyzing data both over time and in relation to other competitors.

6. Reliability. The information presented in the Report is collected, consolidated, and disclosed in a manner that allows for its quality to be verified. All the requisite details are provided, accompanied by links to the relevant primary sources.

7. Timeliness. This Report covers the Group's performance in 2023 and is published in the year following the reporting period, ensuring that stakeholders receive information in a timely manner.

8. Context for sustainable development. We take into account the broader context of sustainable development, including the principles of the UN Global Compact, the pan-European initiative to reduce greenhouse gas emissions by 2050, and the Group's contribution to the Sustainable Development Goals (SDGs).

1 GRI Sector Program – List of prioritized sectors ***https://www.globalreporting.org/media/mqznr5mz/gri-sector-program-list-of-prioritized-sectors.pdf***

DISCLAMER

The 2023 Annual Report is not intended to serve as investment, legal, tax, or accounting advice on behalf of Interpipe Group or any employee or other representative of the Group. Furthermore, it does not form part of any offer to purchase, sell, subscribe for, or solicit any offer to purchase, sell, or subscribe for securities.

The 2023 Annual Report may also include information and statements that are forward-looking. These may include financial forecasts and estimates, along with the underlying assumptions that inform them; statements regarding future plans, objectives, and expectations for operations; and statements about future results. Such information and statements are subject to a number of risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ from those expressed, implied or anticipated in such forward-looking information and statements.

This 2023 Annual Report is based on business, general economic, market and other conditions that Interpipe Group can reasonably estimate at the time of its preparation. The business and financial conditions of Interpipe Group are subject to change, and this may be reflected in the information presented in this document.

This 2023 Annual Report does not constitute an obligation on the part of Interpipe Group to provide recipients with access to any additional or updated information or to correct any inaccuracies that may be discovered therein.

This Annual Report has been approved by the Board of Directors of Interpipe.

Financial statements of the Group

2023

FINANCIAL STATEMENTS OF INTERPIPE HOLDINGS PLC

The directors present their Report together with the accompanying Consolidated Financial Statements of Interpipe Holdings PLC (referred to herein as the "Company") and its subsidiaries (collectively referred to herein as the "Interpipe" or the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITY AND SUBSIDIARIES

The Company was incorporated as a limited liability company under the name of Interpipe Holdings Limited in accordance with the Companies Law of Cyprus on 4 April 2019. It was changed to a public company with limited liability under the Laws of Cyprus and renamed to Interpipe Holdings PLC on 24 July 2019. The registered office and the principal place of business of the Company is Mykinon 8, P.C. 1065 Nicosia, Cyprus.

In the course of the legal reorganization of the Group, as disclosed in Note 32 to the accompanying Consolidated Financial Statements, the Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity, Interpipe Limited (the "Former Parent").

The Company operates through a number of subsidiaries in various jurisdictions (the list of the subsidiaries is disclosed in Note 33 to the accompanying Consolidated Financial Statements) and has concentration of its business in Ukraine, where its production subsidiaries are located.

The principal activity of the Company, which is not changed from the prior year, is holding ownership interests in its subsidiaries, their financing and strategic management. The Group's activities, which is not changed from the prior year, comprise design, manufacture and distribution of steel tubes, solid-rolled railway wheels and steel billets.

DEVELOPMENT AND PERFORMANCE OF THE BUSINESS

The Group is the largest vertically integrated manufacturer of steel billets, steel pipes and railway wheels in Ukraine. The vertical integration secures cost control and global competitive advantage, leading position in cost amongst peers and performance in line with market leaders. Besides, it allows successful scaling of the production across all segments with preservation of low cost base. The Group is a significant player in (i) the steel pipes international market supplying its products to customers in more than 60 countries globally, and (ii) in the railway wheels market being the number one wheels' exporter in the world, with presence in more than 30 countries globally and sizable market share in every important geographical region.

The Group's financial position and performance as at and for the year ended 31 December 2023 are set out on pages 14 and 15 of the accompanying Consolidated Financial Statements, respectively.

PRINCIPAL RISKS AND UNCERTAINTIES AND GOING CONCERN

The Group is largely exposed to the risks of operating environment in Ukraine.

The full-scale war in Ukraine that commenced with the russian invasion of Ukraine on 24 February 2022 is still ongoing. The military attack has led, and continues to lead, to significant casualties, dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. Thanks to the rapid adaptation by businesses and households to the new conditions and improved results of in the second half of 2022, the decline in real GDP for the whole 2022 was at 29.1% with a following growth of 5.3% in 2023.

Management of the Group has reorganized the business processes based on the following key assumptions:

- no further significant progression of russian troops into the territory of Ukraine and no further escalation of military actions that could severely affect the Group's assets;
- Ukrainian logistics systems, both automobile and railroad, will allow internal and export shipments to be carried in a limited volumes at least;
- the Group's operations will be focused on losses minimization, cash outflows reduction combined with the support of the key personnel together with core equipment functionality maintenance and preservation.

The Group will seek to utilize all available logistic channels in a most efficient way for the purpose of the products shipments facilitation and respective improvement of the financial position.

Further discussion on the operating environment and related risks of the Group and going concern considerations are included in Note 2 to the accompanying Consolidated Financial Statements.

Other principal operating and financial risks of the Group are discussed in Notes 35 and 37 to the accompanying Consolidated Financial Statements.

MAIN STRATEGIC OBJECTIVES

The Group's key long-standing strategic objectives are to diversify its geographical presence and product mix in order to enhance its position as a leading producer of pipes and wheels and to expand presence of its products in the global markets. The Group intends to pursue this strategy by increasing its seamless pipes and railway wheels production, enhancing its product mix, improving quality of its products and services, expanding its global presence and working more closely with its customers to deliver higher value-added products and services while improving profit margins. The Group is in the process of implementation of its strategic investment programme which should enable the Group's products to meet more challenging and demanding quality requirement in the new markets. The success of this initiative is viewed as the key success factor for the Group in penetrating new markets and diversifying the customer base to compensate for a significant reduction of demand in our traditional geographical segments.

For more information on operating environment and risks of the Group, refer to Note 2 to the accompanying Consolidated Financial Statements.

RESEARCH AND DEVELOPMENT

In 2023, the Group did not carry out any material research and development activities meeting capitalization criteria under International Financial Reporting Standards (IFRS).

ISSUED CAPITAL AND DISTRIBUTIONS

Details of the Company's equity accounts formation and changes are disclosed in Note 32 to the accompanying Consolidated Financial Statements.

The Company declared dividends in 2022 in the amount of USD 48,900 thousand. The Company paid these dividends in-kind in January 2022 (Note 17 and 32).

BRANCHES

The Company did not operate through any registered branches during the reporting periods.

BOARD OF DIRECTORS

As at 31 December 2023, composition and responsibilities of the Company's Board of Directors was as follows:

Name	Function	Date of initial appointment to the Board of Directors
Ganna Khomenko	Non-Executive Director	9 December 2009
Yakiv Konstantynivs'ky	Non-Executive Director	20 July 2011
Iuliia Chebotarova	Non-Executive Director	10 October 2012
Philippe Bideau	Independent Non-Executive Director	15 June 2016
Oleksandr Kirichko	Non-Executive Director	1 December 2018
Thomas Myer Kearney	Independent Non-Executive Director	23 July 2020
Fiona Jane Mary Paulus	Independent Non-Executive Director	23 July 2020
Andrii Korotkov	Chief Executive Officer of Interpipe Holdings PLC	8 March 2022
Fadi Hraibi	Non-Executive Director	1 November 2016

There is no requirement in the Company's Articles of Association for the retirement of the Directors by rotation, the respective Directors presently members of the Board continue in the office.

The following changes occurred in Board of Directors' constitution and responsibilities allocation during the year and up to the date of this report:

- In May 2024, Andrii Korotkov resigned from the position of the Director of the Board of Directors and the CEO of the Company;
- In May 2024, Yakiv Konstantynivs'ky resigned from the position of the Non-Executive Director of the Board of Directors.

Except for the changes disclosed above, there were no other changes in the assignment of responsibilities and remuneration of the Board of Directors during the year and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period date are disclosed in Note 38 to the accompanying Consolidated Financial Statements.

INDEPENDENT AUDITORS

The independent auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

STATEMENT OF THE DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The following statement is made with a view to specifying the respective responsibilities of the directors and management in relation to the Consolidated Financial Statements of Interpipe Holdings PLC and its subsidiaries (collectively referred to as the "Group").

The directors and management are responsible for the preparation of the Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2023 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the Consolidated Financial Statements, including material accounting policy information, in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter "IFRS") and the Cyprus Companies Law, Cap.113.

In preparing the Consolidated Financial Statements, the Directors and management are responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- preparation of the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Directors and management, within their competencies, are also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions of countries of incorporation;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The Consolidated Financial Statements for the year ended 31 December 2023 were authorised for issue on 29 May 2024.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2023 (in US dollars and in thousands)

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	8	379,718	224,155
Intangible assets	9	3,438	3,642
Investments in associates	10	544	412
Deferred tax assets	12	11,075	30,131
Prepaid income tax		156	153
Other non-current assets	15	117,280	17,025
		512,211	***275,518***
Current assets			
Inventories	13	184,493	173,530
Trade and other accounts receivable	14	108,499	134,632
Prepayments and other current assets	15	24,150	28,987
Prepaid current income tax		723	944
Taxes recoverable, other than income tax	16	29,831	32,600
Cash and cash equivalents	18	247,473	153,777
		595,169	***524,470***
TOTAL ASSETS		***1,107,380***	***799,988***
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital, net of unpaid	32	5	5
Share premium		94,277	94,277
Revaluation reserve		409,171	291,779
Retained earnings		1,573,543	1,313,973
Foreign currency translation reserve		(1,556,058)	(1,500,188)
		520,938	199,846
Non-controlling interests		9,629	5,901
Total equity	***32***	***530,567***	***205,747***
NON-CURRENT LIABILITIES			
Long-term borrowings	20	315,644	344,534
Deferred tax liabilities	12	20,872	10,789
Provisions	21	21,008	18,820
		357,524	***374,143***
CURRENT LIABILITIES			
Current portion of the long-term borrowings and interest accrued and payable	20	68,532	45,132
Trade and other accounts payable	22	89,877	99,269
Advances and other current liabilities	23	30,199	39,861
Current income tax payable		22,143	29,815
Taxes payable, other than income tax	24	5,258	1,048
Provisions	21	3,280	4,973
		219,289	***220,098***
Total liabilities		***576,813***	***594,241***
TOTAL EQUITY AND LIABILITIES		***1,107,380***	***799,988***

Non-Executive Director — Fadi Hraibi

Non-Executive Director — Ganna Khomenko

29 May 2024

The Notes presented on pages 18 – 68 form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 december 2023 (in us dollars and in thousands)

	Notes	2023	2022
Revenue	6	988,706	981,330
Cost of sales	25	(527,933)	(630,574)
Gross profit		***460,773***	***350,756***
Selling and distribution expenses	26	(85,252)	(122,817)
General and administrative expenses	27	(44,093)	(40,393)
Loss on revaluation of property, plant and equipment	8	(867)	(64,797)
Other operating income	28	13,137	19,166
Other operating expenses	28	(30,104)	(40,493)
Operating foreign exchange difference	29	44,864	175,955
Operating profit		***358,458***	***277,377***
Finance income	30	12,248	4,669
Finance costs	31	(76,895)	(54,963)
Non-operating foreign exchange difference	29	(2,380)	(5,798)
Share of profit / (loss) of associates and joint venture	10,11	153	(706)
Profit before tax		***291,584***	***220,579***
Income tax expense	12	(38,691)	(16,138)
Profit for the year		***252,893***	***204,441***
Profit / (loss) attributable to:			
Equity holders of the parent		250,895	208,123
Non-controlling interests		1,998	(3,682)
		252,893	***204,441***
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil:			
Exchange differences on translation of foreign operations	36	(56,159)	(322,394)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil		***(56,159)***	***(322,394)***
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on defined benefit plans	21	(481)	13,989
Income tax effect	12	86	(2,518)
		(395)	***11,471***
Revaluation of property, plant and equipment	8	156,684	(90,596)
Income tax effect	12	(28,203)	16,307
		128,481	***(74,289)***
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		***128,086***	***(62,818)***
Other comprehensive income / (loss) for the year, net of tax		***71,927***	***(385,212)***
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		321,092	(173,490)
Non-controlling interests		3,728	(7,281)
		324,820	***(180,771)***

The Notes presented on pages 18 – 68 form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 december 2023 (in us dollars and in thousands)

	Attributable to equity holders of the parent							
	Issued capital, net of unpaid	Share premium	Revaluation reserve	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2022	***5***	***94,277***	***382,601***	***1,125,863***	***(1,180,510)***	***422,236***	***13,182***	***435,418***
Profit / (loss) for the year	-	-	-	208,123	-	208,123	(3,682)	204,441
Other comprehensive income / (loss) (Note 8, 12, 21, 37)	-	-	(73,406)	11,471	(319,678)	(381,613)	(3,599)	(385,212)
Total comprehensive income / (loss)	***-***	***-***	***(73,406)***	***219,594***	***(319,678)***	***(173,490)***	***(7,281)***	***(180,771)***
Depreciation transfer	-	-	(17,416)	17,416	-	-	-	-
Dividends declared (Note 32, 17)	-	-	-	(48,900)	-	(48,900)	-	(48,900)
At 31 December 2022	***5***	***94,277***	***291,779***	***1,313,973***	***(1,500,188)***	***199,846***	***5,901***	***205,747***
Profit for the year	-	-	-	250,895	-	250,895	1,998	252,893
Other comprehensive income / (loss) (Note 8, 12, 21, 37)	-	-	126,462	(395)	(55,870)	70,197	1,730	71,927
Total comprehensive income / (loss)	***-***	***-***	***126,462***	***250,500***	***(55,870)***	***321,092***	***3,728***	***324,820***
Depreciation transfer	-	-	(9,070)	9,070	-	-	-	-
At 31 December 2023	***5***	***94,277***	***409,171***	***1,573,543***	***(1,556,058)***	***520,938***	***9,629***	***530,567***

Share premium is not available for distribution.

The Notes presented on pages 18 – 68 form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 december 2023 (in US dollars and in thousands)

	Notes	2023	2022
Profit before tax		291,584	220,579
Adjustments for:			
Depreciation and amortisation	25, 26, 27, 28	23,002	36,042
Loss on revaluation of property, plant and equipment	8	867	64,797
(Gain) / loss on disposal of property, plant and equipment and intangible assets	28	(715)	494
Finance costs	31	76,895	54,963
Finance income	30	(12,248)	(4,669)
Movement in provisions, less interest cost, and other movements		7,372	42,140
Share of (gain) / loss of associates	10	(153)	300
Share of loss of joint venture	11	-	406
Loss on purchase of acquisition of subsidiary	11	-	1,120
Foreign exchange difference		(41,503)	(175,675)
Operating cash flows before working capital changes		***345,101***	***240,497***
Increase in inventories		(19,591)	(26,545)
Decrease in trade and other accounts receivable		39,090	36,819
Increase in prepayments and other assets		(15,536)	(9,511)
Decrease / (increase) in taxes recoverable, other than income tax		2,034	(18,580)
(Decrease) / increase in trade and other accounts payable		(10,473)	10,509
Increase / (decrease) in taxes payable, other than income tax		4,380	(3,431)
Decrease in advances and other current liabilities		(10,776)	(11,423)
Cash generated from operations		***334,229***	***218,335***
Income tax paid		(48,997)	(27,868)
Interest and other finance costs paid		(27,554)	(27,841)
Net cash inflow from operating activities		***257,678***	***162,626***
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		(30,815)	(21,206)
Proceeds from sale of property, plant and equipment		111	98
Loans granted		(85,000)	-
Interest received		5,771	909
Net cash outflow from investing activities		***(109,933)***	***(20,199)***
Cash flows from financing activities			
Repayments of borrowings		(51,949)	(95,671)
Net cash outflow from financing activities		***(51,949)***	***(95,671)***
Net increase in cash and cash equivalents		95,796	46,756
Net foreign exchange difference		(2,100)	(2,606)
Cash and cash equivalents at period beginning		***153,777***	***109,627***
Cash and cash equivalents at period end	***18***	***247,473***	***153,777***

For the non-cash activities in relation to equity transactions, please refer to Note 32 to the to the Consolidated Financial Statements.

The Notes presented on pages 18 – 68 form an integral part of the Consolidated Financial Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (IN US DOLLARS AND IN THOUSANDS)

1. *CORPORATE INFORMATION*

The Consolidated Financial Statements of nterpipe Holdings PLC (the "Company") and its subsidiaries (collectively, the "Interpipe" or the "Group") as at 31 December 2023 and for the year then ended were authorized for issue in accordance with the Company's Board Resolution on 29 May 2024.

The Company was incorporated as a limited liability company under the name of Interpipe Holdings Limited in accordance with the Companies Law of Cyprus on 4 April 2019. It was changed to a public company with limited liability under the Laws of Cyprus and renamed to Interpipe Holdings PLC on 24 July 2019.

The Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity, Interpipe Limited (the "Former Parent"). The Former Parent was incorporated as a limited liability company under the name of Ramelton Holdings Limited in accordance with the Companies Law of Cyprus on 30 December 2005. It was renamed to Interpipe Limited on 15 May 2007 (Note 32).

The registered office and principal place of business of the Company (as well as of the Former Parent) is Mykinon 8, P.C. 1065 Nicosia, Cyprus.

The principal business activities of the Group are described in more detail in Note 6. Average number of employees for the year 2023 and 2022 equaled to 9.7 thousand.

2. *OPERATING ENVIRONMENT AND RISKS OF THE GROUP*

The Consolidated Financial Statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

■ *Environment in Ukraine*

The full-scale war in Ukraine that commenced with the russian invasion of Ukraine on 24 February 2022 is still ongoing. The military attack has led, and continues to lead, to significant casualties, dislocation of the population, damage to infrastructure and disruption of economic activity in Ukraine. Thanks to the rapid adaptation by businesses and households to the new conditions and improved results of in the second half of 2022, the decline in real GDP for the whole 2022 was at 29.1% with a following growth of 5.3% in 2023. According to the National Bank of Ukraine's (hereafter "NBU") most recent forecast, the NBU expects growth in real GDP to be weak in 2024 at 3.6%, increasing in 2025 to 5.8% with a 4.5% in 2026, however, the outlook could be changed sharply.

The war caused a disruption of supply chains, a decrease in supply of some goods, higher business costs, physical destruction of production facilities and infrastructure (in the energy sector in particular), and temporary occupation of some territories. Persistently high energy prices and record high inflation in partner countries in 2022 also amplified price pressures in Ukraine. Inflation expectations of businesses and households increased markedly. This was reflected in deteriorating maturity structure of bank deposits and higher spending on some durable goods, primarily imported goods. In the second half of 2022 inflation has stabilized and decreased from annualized 26.6% in 2022 to 5.1% as of the end of 2023; according to the NBU recent forecast annualized inflation in 2024 is expected at the level of 8.2% and it will decrease to 5.8% in 2025.

The Government has implemented emergency measures to stabilize markets and the economy, but the country faces large fiscal and external financing gaps. Ukrainian authorities have continued to service their external debt obligations and the country's payment system remains operational, with banks open and mostly liquid. International organizations (IMF, EBRD, EU, World Bank), along with individual countries and charities, have been providing Ukraine with financing, donations and material support.

In June 2022, the NBU established the key policy rate at 25% p.a. compared with its previous level of 10% p.a. and switched from a flexible to a fixed exchange rate regime at UAH 29.25 for 1 USD on the FX market. Effective 21 July 2022, the NBU changed the official exchange rate of UAH against US Dollar by 25% and fixed it at the level of UAH 36.57. Since 3 October 2023, the NBU has shifted to the regime of managed flexibility of the UAH/ USD exchange rate. On 15 December 2023, the NBU decreased the key policy rate from 16% p.a. to 15% p.a. All these measures were designed to preserve the stability of the Ukrainian financial system, support resilience of economy and functioning of critical infrastructure.

Despite the current unstable situation, the banking system remains stable, with sufficient liquidity even as martial law continues, all banking services are available to its customers, both legal entities and individuals.

The economic consequences are already very serious, the situation remains highly fluid and the outlook is subject to extraordinary uncertainty.

THE GROUP'S OPERATIONS

The Group's utmost priority is safety and security of its employees, and the second priority is preservation of the assets and business continuity. Therefore, business processes have been adjusted accordingly. The Group supports all its employees with the necessary financial support. The Group actively supports the Armed Forces of Ukraine and the Territorial Defense.

In March 2022, the production has been temporarily suspended for employees' safety reasons, minimization risks of destruction of assets and hampered procurement and logistic capabilities across Ukraine as well as unavailable export capacities through Odesa sea port, which has been the main export hub for the Group. Starting from April 2022, the operations were gradually resumed with an overall lower production capacity utilization as compared to the pre-war volumes including, but not limited to, the impact of russian missile strikes on an electrical infrastructure at the end of 2022. In 2023, the Group's level of production was stable and remained at the level of 2022 but it depends on russian attacks on the critical infrastructure in Ukraine, which affects the level of supply of power.

The blockade of the Polish-Ukrainian border which commenced in November 2023 and intensified in January-February 2024, led to additional logistic challenges for the Group's entities located in Ukraine. During respective period, Ukraine export and import volumes dropped and businesses faced a need to establish alternative logistic routes. The Group's trading entities located outside of Ukraine operate on a normal basis facilitating and coordinating relations with clients all over the world and the Group seeks to utilize all available logistic channels in the most efficient way for the purpose of the products shipments.

The Group is fully compliant with all sanctions' rules and regulations imposed by various countries and organizations against russian and belarusian persons or organizations. The Group does not expect any impact of the imposed sanctions on the supplying chain and payments flow.

On or immediately after 24 February 2022 the Group suspended all shipments of the finished goods to russia, belorussia and made a decision on liquidation of its trading company in russia Interpipe-M LLC followed by the dismissal of its employees. The Group has been endeavoring to finalize the liquidation process, which is now driven by the local official, as soon as possible.

The Group also has not been conducting any business activities on occupied territories of Ukraine.

Debt service payments in 2023 were covered by available cash balances and operating cash flows from trade receivable settlements and sales of finished goods. As at 31 December 2023, the Group had sufficient funds on the current accounts with banks of USD 247,473 thousand (Note 18) to serve the existing debt for at least 12 months from the date of approval of these Consolidated Financial Statements.

The Group considers the following expenses incurred during the year 2023 to be directly related to the war:

	2023	2022
Charitable donations (Note 28)	19,739	19,200
Loss on fair value measurement of property, plant and equipment (Note 8)	-	155,393
	19,739	***174,593***

The full extent of the adverse impact on the Group's business generally is not yet known and will largely depend on the duration and extent of the military actions as well as on their impact on the Group's key production assets.

■ *International trade regimes*

The Group's target business model assumes an extensive geographical diversification of its sales and presence in different markets. The Group's ability to operate in particular regions is highly dependent on specific trade regimes.

In the USA market a process of administrative reviews of the antidumping duty orders on import of the following assortments of pipes is ongoing:

- OCTG pipes – in March 2023 the dumping margin of 1.55% was determined instead of previously effective 27.80% on import of OCTG pipes produced by Interpipe with a further increase to 4.89% in December 2023 due to the next administrative review completion;

- seamless standard, line and pressure pipes – in 2023 the Group's seamless standard, line and pressure pipes remain to be subject to an antidumping duty with a dumping margin of 23.75% imposed in mid-2021 with a further decrease to 4.99% in March 2024 due to the respective administrative review completion.

In addition, in June 2022, a safeguard tariff of 25% previously imposed in the USA for all steel products from Ukraine (including all of the Group's pipe products supplied to the USA market) was suspended till 1 June 2023 with a further extension to 1 June 2024.

Before 2022, Interpipe's seamless pipe products in the European market were subject to an antidumping duty of 8.1% put in place by the European Commission, which in June 2022 was suspended till 5 June 2023. As no duly substantiated request for a review was lodged in 2023 with regard to imports from Ukraine, the European Commission took decision not to open the review of measures and gave a notice of expiry of the antidumping measures.

Since 2019, the European Commission has put in place country-specific quotas for steel product imports, including Ukrainian seamless tubes and welded pipes, with 25% duty levied on any excess. In June 2022, the country-specific quota applicable to products originating from Ukraine was suspended till 5 June 2023 with a further extension to 5 June 2024.

- *Going concern basis*

As at 31 December 2023, the net assets of the Group were USD 530,567 thousand, the current assets exceeded current liabilities by USD 375,880 thousand. In 2023, the Group's revenue amounted to USD 988,706 thousand and cash inflow from operating activities amounted to USD 334,229 thousand and increased by about 58% due to the existing demand for the Group's finished goods. In 2023, the Group earned a net profit of USD 252,893 thousand.

Notwithstanding the Group's performance in 2023 calendar year, ongoing military actions create material uncertainty for the Group in future, including the risk of damage of assets and loss of inventory either through physical loss as a result of military actions or appropriation for military needs under the Martial Law in Ukraine and availability of the export routes. The full extent of the impact of further development of military actions on the Group's business is unknown, but its magnitude might be severe.

In order to analyze the impact of foregoing risks and support its going concern assumption, the management has prepared cash flow forecast for the period of 12 months from the date of approval of these Consolidated Financial Statements, which shows that the Group's net operating cash flow will be positive. The management's forecast was grounded on the following significant assumptions and continuous management actions to support sustainability of the Group's operations:

- no further escalation of military actions that could severely affect or lead to damage of the Group's assets;
- the tubes market will remain stable, which will allow the Group to improve utilization of the production facilities;
- continuous monitoring of prices and control of scrap, fuel, electricity and gas costs;
- the possibility of shifting the production to night hours in case of limitation of electricity consumption during the daytime hours;
- re-arrangement of the logistics, including the alternative routes through foreign ports, road and rail, to ensure delivery of raw materials and fuel to the Group production plants and transportation of finished goods to customers;
- searching for alternative suppliers to ensure uninterrupted supply of raw materials required in production;
- optimization of cash flows, decrease of outstanding accounts receivable;
- reduction of expenses by cancellation of non-essential capital and operating expenses together with maintaining the equipment functionable.

These management plans indicate that, taking into account current developments, the Group has adequate resources to continue its operational existence for the foreseeable future. The management acknowledges that future development of military actions and their duration represent a single source of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in a normal course of business. Despite the single material uncertainty relating to the war in Ukraine, management continues to take actions to minimise the impact on the Group and thus believes that the use of the going concern assumption for the preparation of these Consolidated Financial Statements is appropriate and that the Group will be able to manage various risks and will be able to continue its operations for the foreseeable future in a normal course of business.

3. *BASIS OF PREPARATION*

Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as well as in accordance with the requirements of the Cyprus Companies Law, Cap.113.

These Consolidated Financial Statements have been prepared on a historical cost basis except for property, plant and equipment and construction in progress, that are carried at a revalued amount, investment in associates and joint ventures accounted for using the equity method, post-employment benefits measured in accordance with the requirements of IAS 19 "Employee benefits" and financial instruments measured in accordance with the requirements of IFRS 9 "Financial instruments".

The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenues and expenses during the reporting period.

Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these Consolidated Financial Statements are disclosed in Note 5.

These Consolidated Financial Statements are presented in US Dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated; all expenses are shown in brackets (unless otherwise indicated in notes).

The Consolidated Financial Statements provide comparative information in respect of the previous period.

New and amended standards and interpretations

During the current year the Group adopted all of the amendments to International Financial Reporting Standards (IFRS) adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments became effective as at 1 January 2023:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Definition of Accounting Estimates – Amendments to IAS 8;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12;
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The Amendments are effective for annual periods beginning on or after 1 January 2023 and provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Group has revised disclosures of accounting policies to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments are effective for annual periods beginning on or after 1 January 2023 and narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments had no material impact on the Group's Consolidated Financial Statements.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The amendments have an impact on the Group's Consolidated Financial Statements as discussed in Note 12.

Other new and amended standards effective since 1 January 2023 have no impact on the Consolidated Financial Statements of the Group.

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Company (and of the Former Parent, where applicable) and its subsidiaries at 31 December 2023 and for the year then ended. At each reporting date, the Company, regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the interest in subsidiaries not held by the Group. Non-controlling interests at the reporting date represent the non-controlling shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling shareholders' portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders' equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. *SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION*

Foreign currency translation

The Consolidated Financial Statements are presented in the USD, which is the Company's functional and presentation currency. Items in the financial statements of each entity included in the Consolidated Financial Statements are measured using the functional currency determined for that entity. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences upon re-measurement are recognised in the profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Ukrainian hryvnia is the functional currency of the subsidiaries domiciled in Ukraine. The functional currencies of the subsidiaries domiciled outside of Ukraine are as follows: the United States dollar for those registered in Switzerland, United Arab Emirates, Republic of Cyprus and the United States of America, Euro for a subsidiary in Germany and, russian rouble for a subsidiary in russia, and Kazakhstani tenge for a subsidiary in Kazakhstan.

As at the reporting date, the assets and liabilities of these companies are translated into the presentation currency of the Group at the rate of exchange at the reporting date. For the reporting year, the amounts presented in their statements of comprehensive income and cash flows are translated at the monthly weighted average exchange rates. All equity transactions and significant transactions relating to the statement of comprehensive income such as revaluation and impairment of property, plant and equipment and write down of inventories to net realisable value were translated using the exchange rate ruling at the date of transaction. The exchange differences arising on the translation are taken to a separate component of equity through the other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss.

Net investments in foreign operations

Net investments in foreign operations are accounted in accordance with provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Net investment is considered to be monetary item with the settlement which is neither planned nor likely to occur in the foreseeable future. Such monetary items may consist of intercompany loans and may include long-term receivables and payables.

In the Consolidated Financial Statements of the Group exchange differences arising on monetary items that are designated to form part of the net investments are recognised in other comprehensive income and taken to a separate component in equity during period of designation.

Exchange differences recognized in other comprehensive income should be reclassified from equity to profit or loss only on disposal of the respective net investment in accordance with provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Property, plant and equipment

Property, plant and equipment initially recognized at cost. Subsequently, property, plant and equipment are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. When no market values are available, fair value of specific machinery and equipment is determined by using depreciated replacement cost approach. Fair values of other items of property, plant and equipment are determined by reference to market-based evidence, which are the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materiality from that which would be determined using fair value at the end of the reporting period.

As at 31 December 2023, revaluation was performed by independent appraiser.

As at 31 December 2022, the Group performed the fair value valuation of its property, plant and equipment resulting in revaluation loss recognised in profit or loss and other comprehensive income (Note 8).

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset.

Increases in carrying amount arising on revaluation of property, plant and equipment are recorded in other comprehensive income and credited to revaluation reserve in equity. However, such increase is to be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If the asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

As the asset is used by the Group, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred to retained earnings. On the subsequent sale or retirement of a revalued property, the respective revaluation surplus carried in equity is transferred directly to retained earnings.

Depreciable amount is the cost or revalued amount of the item of property, plant and equipment less estimated residual value at the end of the useful life. Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the assets, determined at the date of revaluation, or estimated useful life of the assets, determined at the date the asset is available for use.

The asset's residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end. Depreciation is calculated over the estimated remaining useful life of the assets as follows:

Buildings and structures	1-70 years
Machinery and equipment	1-37 years
Transport and motor vehicles	1-22 years
Fixtures and office equipment	3-16 years

Construction in progress comprises prepayments made and letters of credit issued for purchases of property, plant and equipment, as well as property, plant and equipment which have not yet been constructed. No depreciation is recorded on such assets until they are available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year when the item is derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and social infrastructure facilities held by production subsidiaries in Ukraine, which do not meet the definition of an asset according to IFRS and are not included in the Consolidated Financial Statements.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

- *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

The Group applies the short-term and low-value assets lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option as well as leases where underlying assets are considered to be low value). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Intangible assets

Intangible assets include patents and trademarks, accounting and other software acquired separately from business combination and measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets are amortized using straight line method over estimated useful lives from three to eight years.

Investments in associates and joint ventures

The Group's investments in associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount, and then recognizes the loss within "Share of profit of an associate and a joint venture" in the consolidated statement of comprehensive income.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Impairment losses on non-revalued assets are recognised in profit or loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus attributable to the asset to the extent that the impairment loss does not exceed the amount of the revaluation surplus for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in the prior years in profit or loss. After such the reversal, the depreciation charge in future periods is adjusted to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Dividends

The Group recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. The Group measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. If the Group gives its owners a choice of receiving either a non-cash asset or a cash alternative, the Group estimates the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

■ *Initial recognition and measurement*
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (the "OCI") and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 as described in the section Revenue from contracts with customers below.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (the "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

■ *Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at Amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

As at 31 December 2023 and 2022, the Group had no financial assets at fair value through OCI with recycling of cumulative gains and losses, financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition and financial assets at fair value through profit or loss.

- *Financial assets at amortized cost*

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (the "EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired as well as through amortisation process.

The Group's financial assets at amortized cost includes trade and other receivables, current and non-current deposits included under other current assets and other non-current assets, respectively.

- *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes liquidity, bonds and equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

- *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

- *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (the "ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months from the reporting date. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. As an insolvency event (assumption that the contractor defaults), the Group recognises the failure to repay more than 90 days from the maturity of receivables, high probability of bankruptcy, pending bankruptcy/composition proceedings of the counterparty, legal dispute regarding the size or legitimacy of the claim being the basis for a given receivable and other qualitative information indicating the inability to fully satisfy all financial claims on the part of the counterparty.

II) FINANCIAL LIABILITIES

- *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings. The Group also has the Performance Sharing Fee at fair value through profit or loss. The Group has no derivative instruments designated as hedging instruments for effective hedging.

■ *Subsequent measurement*
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at fair value through profit or loss
- financial liabilities at amortised cost (loans and borrowings)l

■ *Financial liabilities at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

■ *Financial liabilities at amortised cost (Accounts payable, loans and borrowings)*
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

■ *Derecognition*
A financial liability is derecognised when the obligation under the liability is discharged, or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

III) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first-in, first-out ("FIFO") basis, except for cost of work-in-process (comprising unfinished products and metal billets) which is determined on weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value adjustment is recognized within cost of sales.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Pension obligations

In the normal course of business the Group contributes to the Ukrainian and Kazakhstani state pension schemes at the statutory rates in force during the year, based on gross salary payments; such expense is charged in the period the related salaries are earned. The Group has also agreed to provide certain defined contribution pension benefits in Switzerland and the USA. The Group has no legal or constructive obligations to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

In addition, the Group's Ukrainian production subsidiaries provide other post-employment benefits to their employees. There are two significant defined benefit post-employment plans in Ukraine, both of which are unfunded. These plans comprise:

- The Group's legal and contractual obligation to its employees to make one-off payment and other benefits according to the collective agreements on retirement of employees with long service , and
- The Group's legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of the eligible employees of the Group.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method in respect of those employees entitled to such payments. Management uses actuarial techniques in calculating the liability related to these retirement obligations at each reporting date. Actual results could vary from estimates made to the date.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position of the Group with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost resulting from introduction of pension benefits is recognised immediately in the profit or loss.

Income tax

Income tax expense represents the sum of the current and deferred tax expense.

- *Deferred tax*

Deferred income tax is recognised, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of steel products is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the products.

Revenue reflects the sale of finished products and services. The Group analyses the following five stages to determine the principle for recognizing revenue:

1. Identification of contract;

2. Identification of distinct performance obligations within the contract;

3. Evaluation of contract price;

4. Allocation of overall price to each performance obligation pro rata of their specific sale prices;

5. Recording of revenue when a performance obligation has been satisfied.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of steel products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

■ *Variable consideration*
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The existing contracts for the sale of steel products do not provide customers with a right of return of the products of good quality and do not include volume rebates, therefore do not result in variable consideration.

■ *Significant financing component*
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Cost of sales and other expenses recognition

Cost of revenue that relates to the same transaction is recognised simultaneously with the respective revenue.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Comparatives

Where necessary, comparative figures have been adjusted and reclassified to conform with changes in presentation in the current year.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Endorsement by EU status	Effective for annual period beginning on or after
Amendments to IFRS 16 Leases: Liability in a Sale and Leaseback	Endorsed	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements: ▪ Classification of Liabilities as Current or Non-current; ▪ Classification of Liabilities as Current or Non-current - Deferral of Effective Date; and ▪ Non-current Liabilities with Covenants	Endorsed	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	Endorsed	1 January 2024
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Not yet endorsed	1 January 2025
IFRS 18 Presentation and Disclosure in Financial Statements	Not yet endorsed	1 January 2027
Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet endorsed	Not yet determined
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Not yet endorsed	1 January 2027
IFRS 14 Regulatory Deferral Accounts	Not yet endorsed	The EC has decided not to launch the endorsement process of the interim standard and to wait for the final IFRS Standard

Apart from IFRS 18, for which management still evaluates the impact, the other standards and interpretations are not expected to have a material impact on the Consolidated Financial Statements of the Group in future periods..

5. *SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES*

I) ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

■ *Pension obligations under defined benefit plan*
The Group collects information relating to its employees in service and pensioners receiving pension benefits and uses the actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. These calculations require the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate and future projected salary).

Further details are disclosed in Note 21.

■ *Revaluation of property, plant and equipment*
As described in Note 4, the Group applies the revaluation model to its property, plant and equipment.

When determining whether to perform a fair value assessment in a given period, management considers development of macroeconomic indicators including changes in prices (producer price indices, price indices for non-residential buildings, transport facilities, utilities and other engineering structures), inflation rates, GDP growth rates and changes of the Ukrainian Hryvnia ("UAH") against USD and EUR. Also, different internal and external factors such as changes in political, legislative, economic situation are reviewed.

Based on the results of this review, management concluded that all groups of property, plant and equipment accounted for using the revaluation model should be revalued as at 31 December 2023. Accordingly, the Group engaged independent appraiser to assess fair values of the relevant property, plant and equipment as at 31 December 2023. The key assumptions used to determine the fair value of the properties are provided in Note 8.

The increase in the fair value of the Group's property, plant and equipment as at 31 December 2023 relates to the rapid adaptation to the new conditions and overall positive trends on the global markets. Although, the environment in Ukraine remained unstable due to the war, the Ukrainian economy demonstrated a moderate growth and improved macroeconomic indicators during 2023.

■ *Useful life of property, plant and equipment and residual value*
The Group assesses the remaining useful lives of items of property, plant and equipment at least at each reporting date. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the carrying amount of property, plant and equipment and on depreciation recognised in the consolidated statement of comprehensive income.

■ *Impairment of non-financial assets*
The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. This requires an estimation of the value in use of CGU to which the item is allocated. Estimating the value in use /fair value less costs of disposal requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

■ *Fair value measurement of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (the "DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments (Note 7).

■ *Net realisable value of inventories*
Inventory is carried at lower of cost and net realisable value. Estimates of net realisable value of raw materials, work in progress and finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the period (Note 13).

■ *Taxes*
Uncertainties may exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

If the Group concludes that it is 'probable' that the taxation authority will accept a specific tax treatment, then the Group determines its accounting for income taxes (e.g. in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, tax rates) consistently with the tax treatment.

Where the Group concludes that it is 'not probable' that the tax authority will accept a specific treatment, then the Group reflects the effect of that uncertainty in its income tax accounting (e.g., in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, tax rates) in the period in which that determination is made. The effect of each uncertainty is reflected using either the 'most likely amount' method or the' expected value' method whichever better predicts the resolution of the uncertainty.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected future performance.

Further details on taxes are disclosed in Note 12 and 35.

- *Value-added tax recoverable*

Value-added tax ("VAT") recoverable is reviewed at each reporting date and reduced to the extent that it is no longer probable that a refund or VAT liabilities for netting will be available. The Group considers that the amount due from the state as at the reporting date will be either recovered in cash or reclaimed against the VAT liabilities related to sales.

- *Allowance for expected credit losses of financial assets*

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets is disclosed in Note 36.

II) JUDGEMENTS

- *Litigations*

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation or arbitration, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, as well as in determining a possible range of any final settlement. Because of the inherent uncertainties in evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as any new information becomes available, primarily with the support of, as appropriate, internal specialists or outside consultants, such as legal counsel. Revisions to the estimates may significantly affect future operating results (Notes 21 and 35).

- *Designation of monetary items as part of net investment in foreign operations*

Throughout the Group there are various intercompany balances between subsidiaries, including loans that are used to finance mainly capital expenditure projects as well as working capital requirements. The majority of these balances are denominated in the USD and are translated into the respective local functional currencies in the subsidiaries' local accounts. Balances for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group's net investment in that foreign operation and exchange differences on these balances are recognised in other comprehensive income and only reclassified from the equity to profit or loss on disposal of the respective net investment. It is the Group management's view that substantial part of the loans and other liabilities granted by the parent and subholding companies to its Ukrainian subsidiaries as from 1 January 2014 qualify as net investments in its foreign operations (Note 37).

- *Determining the lease term of contracts with renewal and termination options – Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

6. *SEGMENT INFORMATION*

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

For management purposes, the Group is organised into business units based on its products and services, and has four reportable operating segments as follows:

1. Pipes segment - production and distribution of:
   - Seamless oil country tubular goods ("OCTG"), used for oil and gas exploration and production;
   - Seamless transportation line pipes, used for oil and gas transportation in severe pressure and temperature conditions;
   - Seamless industrial pipes, used in a large variety of infrastructure and industrial applications;
   - Seamless special applications pipes, used in various applications by the machine-building, power and heat generation and petrochemical industries, among others;
   - Industrial welded pipes, used mainly in the construction industry and in local water distribution networks;
   - Transportation line welded pipes, used to transport water, crude oil and natural gas in moderate pressure and temperature conditions.
2. Railway wheels segment - production and distribution of extensive range of forged wheels used for freight cars, passenger carriages, locomotives and underground trains as well as tyres for wheel sets used on locomotives, underground trains and trams.
3. Steel making segment:
   - Collection and processing of scrap for internal consumption in steel billets production. Scrap not usable for the Group's production purposes is sold to external customers;
   - Production and distribution of pipe steel billets – used both for internal production of the extensive range of seamless pipes and distribution to the external customers;
   - Production and distribution of wheels steel billets – used for railway wheels production and distribution to the external customers.
4. Other operations segment - production and sales of enamel ware and other by-products and services.

The Group management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The Group's financing activities (including finance costs and finance income) and income taxes are managed on the Group level and are not allocated to the operating segments.

Inter-segment sales primarily consisted of steel billets sold by "Metallurgical Plant Dneprosteel" LLC to JSC "Interpipe Niznedneprovsky Tube Rolling Plant" and "Interpipe Niko Tube" LLC, the cost of which was included in the cost of pipes and wheels.

Recognising the scope and magnitude of the steelmaking integration into and its influence on the pipes and railway wheels economy, the Group management decided to amend and expand segment information with additional allocation of the steel making EBITDA to pipes and wheels respective EBITDA pro-rata to relevant external revenues from sales of the Group products - thus, explicitly demonstrating the Group key final-product-segments (seamless pipes and railway wheels) throughput results - leaving to the steel making segment only portion of the result attributable to the external steel billets sales.

Segment revenues and results

Year ended 31 December 2023	Pipes	Railway wheels	Steel making	Other operations	Total
Revenue	743,123	205,126	324,580	9,392	1,282,221
Elimination of sales to other segments	-	-	(293,515)	-	(293,515)
Revenue - external	***743,123***	***205,126***	***31,065***	***9,392***	***988,706***
Operating profit	***225,465***	***37,329***	***95,329***	***335***	***358,458***
Finance income					12,248
Finance costs					(76,895)
Non-operating foreign exchange difference					(2,380)
Share of loss of associates and joint venture					153
Income tax expense					(38,691)
Profit for the year					***252,893***

Year ended 31 December 2022	Pipes	Railway wheels	Steel making	Other operations	Total
Revenue	757,656	164,287	324,413	11,008	1,257,364
Elimination of sales to other segments	-	-	(276,034)	-	(276,034)
Revenue - external	***757,656***	***164,287***	***48,379***	***11,008***	***981,330***
Operating profit	***155,461***	***31,350***	***89,654***	***912***	***277,377***
Finance income					4,669
Finance costs					(54,963)
Non-operating foreign exchange difference					(5,798)
Share of loss of associates and joint venture					(706)
Income tax expense					(16,138)
Profit for the year					***204,441***

For the year ended 31 December 2023 and 2022, share of loss of associates was attributable to pipes segment.

Segment assets, liabilities and other information

Year ended 31 December 2023	Pipes	Railway wheels	Steel making	Other operations	Total
Segment assets	441,458	144,142	130,105	5,287	720,992
Segment liabilities	66,244	46,386	31,504	76	144,210
Investment in associates and joint venture (Note 10 and 11)	544	-	-	-	544
Additions to property, plant and equipment (Note 8)	25,157	2,579	5,188	-	32,924
Movement in provisions	796	2,667	480	-	3,943
Other non-cash items	10,673	(4,852)	(992)	-	4,829
Effect of revaluation of property, plant and equipment	(20,406)	6,829	14,444	-	867

Segment assets, liabilities and other information (continued)

Year ended 31 December 2022	Pipes	Railway wheels	Steel making	Other operations	Total
Segment assets	318,723	113,306	133,896	3,998	569,923
Segment liabilities	80,603	50,032	31,330	796	162,761
Investment in associates and joint venture (Note 10 and 11)	412	-	-	-	412
Additions to property, plant and equipment (Note 8)	13,021	2,090	7,755	-	22,866
Movement in provisions	(1,589)	(3,855)	(568)	-	(6,012)
Other non-cash items	23,102	12,093	5,281	-	40,476
Effect of revaluation of property, plant and equipment	62,526	1,060	1,211	-	64,797

Reportable segments' assets are reconciled to total assets as follows:

	31 December 2023	31 December 2022
Segment assets for reportable segments	***716,249***	***566,337***
Other operations	***5,287***	***3,998***
Unallocated		
Intangible assets	3,438	3,642
Deferred tax assets	11,075	30,131
Prepaid income tax (non-current)	156	153
Prepaid current income tax	723	944
Taxes recoverable, other than income tax	29,831	32,600
Trade and other accounts receivable	5,533	-
Prepayments and other current assets	2,615	8,406
Cash and cash equivalents	247,473	153,777
Other non-current assets	85,000	-
	385,844	***229,653***
Total assets	***1,107,380***	***799,988***

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 December 2023	31 December 2022
Segment liabilities for reportable segments	***144,134***	***161,965***
Other operations	***76***	***796***
Unallocated		
Deferred tax liabilities	20,872	10,789
Taxes payable, other than income tax	5,258	1,048
Current income tax liabilities	22,143	29,815
Borrowings	380,678	386,177
Interest payable	3,498	3,489
Dividends payable to non-controlling interest owners	154	160
Other liabilities	-	2
	432,603	***431,480***
Total liabilities	***576,813***	***594,241***

The Group measures the performance of its operating segments through a measure of earnings before interest, tax, depreciation and amortisation (the "EBITDA"). EBITDA is calculated as operating profit or (loss) plus depreciation and amortisation charge, plus impairment of property, plant, equipment and intangible asset, plus loss / (gain) on disposal of property, plant and equipment, plus extraordinary losses / (gains) and plus operating foreign exchange gain/(loss).

EBITDA is not a measure of financial performance under IFRS. The calculation of EBITDA by the Group may be different from the calculations of similarly labelled measures used by other companies and it should therefore not be used to compare one company against another or as a substitute for analysis of the Group's operating results as reported under IFRS. EBITDA is not a direct measure of the Group's liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Group's financial commitments. EBITDA may not be indicative of the Group's historical operating results, nor is it meant to be predictive of the Group's potential future results. The Group believes that EBITDA provides useful information to the users of the Consolidated Financial Statements because it is an indicator of the strength and performance of the Group's ongoing business operations, including the Group's ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and the Group's ability to incur and service debt.

EBITDA by segments

Year ended 31 December 2023	Pipes	Railway wheels	Steel Making	Other operations	Total
Operating profit	225,465	37,329	95,329	335	358,458
Depreciation and amortisation	8,756	4,571	9,674	1	23,002
Effect of revaluation of property, plant and equipment	(20,406)	6,829	14,444	-	867
Gain on disposal of property, plant and equipment (Note 28)	(579)	(64)	(72)	-	(715)
Operating foreign exchange difference	(29,519)	(15,297)	(48)	-	(44,864)
EBITDA	***183,717***	***33,368***	***119,327***	***336***	***336,748***
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	83,786	26,924	(110,710)	-	-
EBITDA (on a pass-through basis)	***267,503***	***60,292***	***8,617***	***336***	***336,748***

Year ended 31 December 2022	Pipes	Railway wheels	Steel making	Other operations	Total
Operating profit	155,461	31,350	89,654	912	277,377
Depreciation and amortisation	9,027	9,337	17,541	137	36,042
Effect of revaluation of property, plant and equipment	62,526	1,060	1,211	-	64,797
(Gain) / loss on disposal of property, plant and equipment (Note 28)	(15)	244	265	-	494
Loss on purchase of acquisition of subsidiary (Note 28)	1,120	-	-	-	1,120
Operating foreign exchange difference	(120,586)	(44,614)	(10,755)	-	(175,955)
EBITDA	***107,533***	***(2,623)***	***97,916***	***1,049***	***203,875***
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	61,198	25,702	(86,900)	-	-
EBITDA (on a pass-through basis)	***168,731***	***23,079***	***11,016***	***1,049***	***203,875***

GEOGRAPHICAL INFORMATION

Revenues from external customers

	For the year ended 31 December 2023	For the year ended 31 December 2022
Europe	357,350	324,241
Ukraine	323,829	188,317
Americas	170,676	319,480
Middle East and Africa	88,094	110,576
Other CIS countries	34,680	27,123
Other countries	14,077	11,593
	988,706	***981,330***

Americas region includes the USA, Canada and Latin America countries. Other CIS countries region includes members of the Commonwealth of Independent States, except for Ukraine, which are presented as separate regions.

The revenue received from one major customer, individually exceeding 17% of total revenue, amounted to USD 174,606 thousand (2022: 1 major customer, individually exceeding 5% of total revenue, USD 56,233 thousand) arising from sales in Ukraine geographical segments.

■ *Non-current assets*

Non-current assets comprising property, plant and equipment, intangible assets are presented in the table below. Non-current assets are allocated by foreign countries in which the Group holds assets. If non-current assets in an individual foreign country are material, those assets are disclosed separately.

	31 December 2023	31 December 2022
Ukraine	379,916	227,428
Europe	474	58
Other countries	2,766	311
	383,156	***227,797***

7. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in these Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in these Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels of the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying amounts of financial instruments, consisting of loans granted, cash at banks, short-term accounts receivable and payable, other financial assets, short-term loans and borrowings approximate their fair values. The details on fair value measurement of property, plant and equipment are presented in Note 8.

Fair value measurement hierarchy for liabilities as at 31 December 2023:

	Fair value measurement using				
	Carrying amount	**Fair value**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
FAIR VALUE OF LIABILITIES:					
Borrowings and interest payable					
- borrowings at amortised cost	338,808	338,808	-	338,808	-
- financial liability at fair value	41,491	41,491	-	-	41,491
	380,299	***380,299***	**-**	***338,808***	***41,491***

Fair value measurement hierarchy for liabilities as at 31 December 2022:

	Fair value measurement using				
	Carrying amount	**Fair value**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
FAIR VALUE OF LIABILITIES:					
Borrowings and interest payable					
- borrowings at amortised cost	339,534	339,534	-	339,534	-
- financial liability at fair value	49,485	49,485	-	-	49,485
	389,019	***389,019***	**-**	***339,534***	***49,485***

There have been no transfers between Level 1 and Level 2 during 2023 and 2022.

Reconciliation of fair value measurement of Performance Sharing Fee categorised within Level 3 is presented in Note 20. The fair value of Notes 2026 and General Loan Facility was estimated using the discounted cash flow method applying current interest rates for new instruments with similar credit risk and remaining maturity.

8. *PROPERTY, PLANT AND EQUIPMENT*

Movement in property, plant and equipment and related accumulated depreciation for the years ended 31 December 2023 and 2022 was as follows:

	Buildings and structures	Machinery and equipment	Transport and motor vehicles	Fixtures and office equip-ment	Construction-in-progress and uninstalled equipment	Right-of-use assets	Total
COST OR VALUATION:							
At 1 January 2022	***172,279***	***268,874***	***15,229***	***3,137***	***62,393***	***1,113***	***523,025***
Additions	-	-	-	-	22,866	-	22,866
Transfers	1,311	12,930	33	556	(14,830)	-	-
Disposals and write-offs	(22)	(910)	(40)	(100)	-	(458)	(1,530)
Elimination against gross carrying amount	(7,663)	(23,553)	(1,402)	(229)	-	(294)	(33,141)
Revaluation	(48,397)	(74,231)	(1,517)	(808)	(30,440)	-	(155,393)
Acquisitions of a subsidiary	18	2,979	-	218	-	-	3,215
Translation difference	(44,064)	(71,481)	(3,833)	(1,405)	(14,104)	-	(134,887)
At 31 December 2022	***73,462***	***114,608***	***8,470***	***1,369***	***25,885***	***361***	***224,155***
Additions	-	-	-	-	29,093	3,831	32,924
Transfers	3,535	22,249	1,023	1,444	(28,251)	-	-
Disposals and write-offs	(806)	(330)	(636)	(304)	(3,169)	-	(5,245)
Elimination against gross carrying amount	(4,636)	(12,082)	(1,019)	(890)	-	(294)	(18,921)
Revaluation	44,172	60,044	4,854	22,529	24,218	-	155,817
Translation difference	(2,784)	(5,043)	(334)	(94)	(757)	-	(9,012)
At 31 December 2023	***112,943***	***179,446***	***12,358***	***24,054***	***47,019***	***3,898***	***379,718***
ACCUMULATED DEPRECIATION AND IMPAIRMENT:							
At 1 January 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	8,998	26,256	1,569	777	-	294	37,894
Disposals and write-offs	(1)	(196)	(2)	(88)	-	-	(287)
Elimination against gross carrying amount	(7,663)	(23,553)	(1,402)	(229)	-	(294)	(33,141)
Translation difference	(1,334)	(2,507)	(165)	(460)	-	-	(4,466)
At 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	4,777	12,623	1,131	1,062	-	294	19,887
Disposals and write-offs	(15)	(117)	(66)	(132)	-	-	(330)
Elimination against gross carrying amount	(4,636)	(12,082)	(1,019)	(890)	-	(294)	(18,921)
Translation difference	(126)	(424)	(46)	(40)	-	-	(636)
At 31 December 2023	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET BOOK VALUE:							
At 31 December 2022	***73,462***	***114,608***	***8,470***	***1,369***	***25,885***	***361***	***224,155***
At 31 December 2023	***112,943***	***179,446***	***12,358***	***24,054***	***47,019***	***3,898***	***379,718***

As at 31 December 2023 and 2022, property, plant and equipment with carrying amount of USD 50,280 thousand and USD 14,775 thousand, respectively, were pledged as a security for the Group's borrowings (Note 20).

Revaluation increase / Decrease / Reversal of decrease:

At 31 December 2023

	Buildings and structures	Machinery and equipment	Transport and motor vehicles	Fixtures and office equipment	Construction-in-progress and uninstalled equipment	Total
Loss on revaluation recognised in profit or loss	(14,074)	(18,394)	(128)	(236)	-	(32,832)
Reversal of loss on previous revaluation recognised in profit or loss	1,743	13,887	233	255	15,847	31,965
Loss on revaluations recognised in other comprehensive income	(6,126)	(6,366)	(626)	(6)	-	(13,124)
Gain on revaluations recognised in other comprehensive income	62,629	70,917	5,375	22,516	8,371	169,808
Total	***44,172***	***60,044***	***4,854***	***22,529***	***24,218***	***155,817***

At 31 December 2022

	Buildings and structures	Machinery and equipment	Transport and motor vehicles	Fixtures and office equipment	Construction-in-progress and uninstalled equipment	Total
Loss on revaluation recognised in profit or loss	(8,739)	(25,135)	(193)	(542)	(30,188)	(64,797)
Loss on revaluations recognised in other comprehensive income	(39,658)	(49,096)	(1,324)	(266)	(252)	(90,596)
Total	***(48,397)***	***(74,231)***	***(1,517)***	***(808)***	***(30,440)***	***(155,393)***

The revalued property, plant and equipment are presented by buildings and structures; machinery and equipment; transport and motor vehicles; fixtures and office equipment; construction-in-progress and uninstalled equipment. Management determined that these constitute one category within the fair value hierarchy of assets under IFRS 13 (Level 3), based on the lowest level input, that is significant to the fair value measurement as a whole.

The Group engaged an independent appraiser to determine the fair value for all groups of property plant and equipment as at 31 December 2023. Valuation analysis and estimates of value, performed by the independent appraiser, were based on historical, current and prospective information, adjusted for any difference in nature, location or condition of the specific property compared to similar assets and benchmarks used.

Depending on the item of the property plant and equipment, fair value was determined using the combination of the following three methods:

- comparative method;
- cost method;
- discounted cash flows method.

The most significant observable and unobservable valuation inputs are listed below and their changes would result in a significant increase or decrease in fair value of the revalued assets:

- price per square metre – 211-703 USD: significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis;
- discount rate – 25.3%-28.3%: significant increases (decreases) in discount rate in isolation would result in a significantly higher (lower) fair value on a linear basis;
- terminal growth rate – 1.9%: significant increases (decreases) in terminal growth rate in isolation would result in a significantly higher (lower) fair value on a linear basis;
- inflation rate – 2.3-2.5%: significant increases (decreases) in inflation rate in isolation would result in a significantly higher (lower) fair value on a linear basis.

The Group used discounted cash flows method to determine the fair value for all groups of property plant and equipment as at 31 December 2022.

The most significant unobservable valuation inputs are listed below and their changes would result in a significant increase or decrease in fair value of the revalued assets:

- discount rate – 26.42%: significant increases (decreases) in discount rate in isolation would result in a significantly higher (lower) fair value on a linear basis;

- terminal growth rate – 2.4%: significant increases (decreases) in terminal growth rate in isolation would result in a significantly higher (lower) fair value on a linear basis;
- inflation rate – 2.0%: significant increases (decreases) in inflation rate in isolation would result in a significantly higher (lower) fair value on a linear basis.

As at 31 December 2023 and 2022, the cost of fully depreciated items of property, plant and equipment, which remain in use, amounted to USD 373 thousand and USD 936 thousand, respectively.

If property, plant and equipment continued to be measured using cost model, their carrying amount would be as follows:

	Buildings and structures	Machinery and equipment	Transport and motor vehicles	Fixtures and office equipment	Construction-in-progress and uninstalled equipment	Total
31 December 2022	53,030	119,965	3,340	1,994	56,396	234,725
31 December 2023	50,626	123,944	3,578	1,564	52,165	231,877

9. *INTANGIBLE ASSETS*

Movement in intangible assets and related accumulated amortisation for the years ended 31 December 2023 and 2022 was as follows:

	Patents and trademark	Accounting software	Other software	Intangible assets under development	Total
COST:					
At 1 January 2022	***63***	***4,649***	***3,677***	***1,221***	***9,610***
Additions	-	-	-	649	649
Transfers	3	165	256	(424)	-
Disposals	-	(5)	(32)	(5)	(42)
Translation difference	(18)	(1,170)	(956)	(335)	(2,479)
At 31 December 2022	***48***	***3,639***	***2,945***	***1,106***	***7,738***
Additions	-	-	-	811	811
Transfers	-	728	824	(1,552)	-
Disposals	-	-	(108)	(9)	(117)
Translation difference	(2)	(213)	(135)	(8)	(358)
At 31 December 2023	***46***	***4,154***	***3,526***	***348***	***8,074***
ACCUMULATED AMORTISATION AND IMPAIRMENT:					
At 1 January 2022	***29***	***1,921***	***2,417***	***146***	***4,513***
Amortisation for the year	4	403	394	-	801
Disposals	-	(1)	(24)	-	(25)
Translation difference	(9)	(505)	(642)	(37)	(1,193)
At 31 December 2022	***24***	***1,818***	***2,145***	***109***	***4,096***
Amortisation for the year	3	426	384	-	813
Disposals	-	-	(100)	-	(100)
Translation difference	(3)	(79)	(87)	(4)	(173)
At 31 December 2023	***24***	***2,165***	***2,342***	***105***	***4,636***
NET BOOK VALUE:					
At 31 December 2022	***24***	***1,821***	***800***	***997***	***3,642***
At 31 December 2023	***22***	***1,989***	***1,184***	***243***	***3,438***

Accounting and other software is determined to have finite lives ranging from three to seven years; patents and trademark are determined to have finite lives ranging from three to eight years. Amortization of intangible assets is included in general and administrative expenses in the consolidated statement of comprehensive income

10. *INVESTMENTS IN ASSOCIATES*

The Group's investments in associates were as follows:

Entity	Activity	% of the Group ownership	31 December 2023	31 December 2022
PrJSC "Nikopolsky Tooling Plant"	Tooling for machines	25%	544	412
PrJSC "Nikopolsky Repairing Plant"	Repairs	25%	-	-
PrJSC "Teplogeneratzia"	Utility services	30%	-	-
			544	***412***

PrJSC "Teplogeneratzia", PrJSC "Nikopolsky Tooling Plant" and PrJSC "Nikopolsky Repairing Plant" are entities incorporated in Ukraine. They are private companies not listed on any public exchange.

The following table illustrates changes in carrying value of the Group's investments in associates:

	For the year ended 31 December 2023	For the year ended 31 December 2022
At period beginning	412	865
Share of profit / (loss)	153	(73)
Share of loss – impairment investments in associates	-	(227)
Translation difference	(21)	(153)
At period end	***544***	***412***

The Group's share in net assets of its associates was as follows:

	PrJSC "Teplo-generatzia"	PrJSC "Nikopolsky Tooling Plant"	PrJSC "Nikopolsky Repairing Plant"
At 31 December 2023			
Assets	-	986	-
Liabilities	-	(442)	-
Net assets – carrying amounts of investments	**-**	***544***	**-**

	PrJSC "Teplo-generatzia"	PrJSC "Nikopolsky Tooling Plant"	PrJSC "Nikopolsky Repairing Plant"
At 31 December 2022			
Assets	-	904	-
Liabilities	-	(492)	-
Net assets – carrying amounts of investments	**-**	***412***	**-**

The following table illustrates the Group's share in revenues and profit or loss of associates:

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	Revenue	Profit for the year	Revenue	Profit / (Loss) for the year
PrJSC "Teplogeneratzia"	2	-	1,133	-
PrJSC "Nikopolsky Repairing Plant"	2,787	-	1,756	(155)
PrJSC "Nikopolsky Tooling Plant"	2,734	153	932	82

The Group had a cumulative unrecognised share of losses in the amount of UAH 14,304 thousand from the associates with zero carrying value as at 31 December 2023 (31 December 2022: UAH 13,547 thousand). The associates with zero carrying value represented the associates which had negative net assets as at the reporting date. Considering that the Group has no formal obligation to fulfil its share of associates liabilities, the carrying value of the investment in respective associates are kept at zero in the financial statements. Associates had no contingent liabilities and commitments as at 31 December 2023 and 2022, respectively.

11. *INVESTMENT IN JOINT VENTURE*

In June 2018, Interpipe entered into a joint venture agreement with Vallourec Tubes SAS ("Vallourec"). The parties invested into and launched the pipe finishing facility in Ukraine (Vallourec Niko Tube LLC) by creating a German limited liability company Vallourec Niko Tube Holding GmbH, whereas at 31 December 2021 49.9% is held by the Group (with the remainder comprising 50.1%. held by Vallourec). The operation of the pipe finishing mill started in October 2018. The mill finished certain types of non-OCTG seamless tubes, which were then sold under the Vallourec brand.

Consistent introduction of the safeguard quotas and antidumping duties on Ukrainian steel products by the European Commission significantly affected the grounds of beneficial joint venture co-operation. The above-mentioned factors had not made it possible to provide full load for joint venture capacities. Since October 2021, line pipes in the European market have been sold under the Interpipe brand, as it was before the joint venture was established. Therefore, the Group and Vallourec agreed to terminate joint venture subject to the conditions precedent.

As a result of the events described above, Interpipe decided to purchase 50.1%. held by Vallourec in a German limited liability company Vallourec Niko Tube Holding GmbH for the consideration of USD 2,194 thousand (equivalent of EUR 2,189 thousand) as finalisation of the joint venture dissolution.

On 31 August 2022, all criteria set in share purchase agreement signed on 21 December 2021 were met and closing memorandum was signed and new articles of association was established where Interpipe limited was new and sole owner of IP Niko Tube GmbH (ex-Vallourec Niko Tube Holding GmbH). Number of shares totalled to 25,000 and transactions costs were EUR 2,500.

The interest in joint venture is accounted for using equity method in these Consolidated Financial Statements and it carrying amount so determined was USD 1,990 thousand as at 31 August 2022.

Summarised statement of financial position of Vallourec Niko Tube Holding GmbH as at 31 August 2022:

	31 August 2022
Assets	1,990
Liabilities	-
Net assets – carrying amounts of investments	***1,990***

Summarised statement of profit or loss of Vallourec Niko Tube Holding GmbH:

	For the eight months ended 31 August 2022
Revenue from contracts with customers	-
Loss for the year (continuing operations)	(814)
Other comprehensive income (continuing operations)	-
Total comprehensive loss (continuing operations)	(814)
Group's share of loss for the year	***(406)***

The joint venture had no contingent liabilities or commitments as at 31 August 2022.

Summarised table of result of purchase agreement and include in Group of IP Niko Tube GmbH and Vallourec Niko Tube LLC:

	31 August 2022
Assets:	
Property, plant and equipment	3,215
Intangible assets	18
Trade and other receivables	58
Liabilities:	
Trade and other payables	(227)
Net assets at fair value	***3,064***
Group`s investment in joint venture at fair value	(1,990)
Loss of the joint venture dissolution	1,120
Purchase consideration transferred	***2,194***

12. *INCOME TAX*

Each subsidiary of the Group, except for Cyprus based subsidiaries, is treated as a separate taxpayer.

The components of income tax expense for the years ended 31 December 2023 and 2022 were as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Current income tax expense	(38,351)	(39,428)
Deferred income tax (expense) / benefit	(340)	23,290
	(38,691)	***(16,138)***

Income tax (expense) / benefit for the years ended 31 December 2023 and 2022 originated in the following tax jurisdictions:

	Domestic tax rates applicable to individual group entities as at		For the year ended 31 December 2023	For the year ended 31 December 2022
	31 December 2023	31 December 2022		
Ukraine	18%	18%	(43,793)	(7,013)
Switzerland	11%	11%	(6,387)	(5,900)
Germany	34%	34%	(27)	(21)
The USA	21%	21%	1,216	(2,819)
Cyprus	12.5%	12.5%	10,290	-
Other countries	20%	20%	10	(385)
The UAE*	-	-	-	-
			(38,691)	***(16,138)***

** Tax (expense) / benefit calculated at domestic rates applicable to individual Group entities for 2023 and 2022 were affected by the financial results of the Group subsidiary, Interpipe M.E, a free zone establishment with limited liability, which is not subject to corporate tax in the United Arab Emirates in 2023. For the details of changes in geographical operations please refer to the Note 6.*

Profit before tax for financial reporting purposes is reconciled to tax benefit as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Accounting profit before tax	***291,584***	***220,579***
Tax expenses calculated at domestic rates applicable to individual Group entities	(39,860)	(17,039)
Tax effect of non-deductible expenses	(6,515)	(5,893)
Tax effect of non-taxable incomes	341	8,928
Change in unrecognised deferred tax assets	9,397	(13,324)
Reassessment of previous years temporary differences	(1,171)	8,997
Translation difference	(165)	2,370
Other differences	(718)	(177)
	(38,691)	***(16,138)***

Deferred tax assets and liabilities related to the following:

	31 December 2023	Change recognised in profit or loss	Change recognised in other comprehensive income	Translation difference	31 December 2022
Deferred tax liabilities:					
Investments' valuation	(2)	(2)	-	-	-
Accelerated depreciation for tax purposes and revaluation of property, plant and equipment for financial reporting purposes	(25,086)	5,631	(15,881)	(7)	(14,829)
	(25,088)	***5,629***	***(15,881)***	***(7)***	***(14,829)***
Deferred tax assets:					
Investments' valuation	-	(24)	-	-	24
Accelerated depreciation for tax purposes and revaluation of property, plant and equipment for financial reporting purposes	-	(5,017)	(12,322)	(229)	17,568
Accrued liabilities and provisions	2,001	(323)	86	(67)	2,305
Allowance for expected credit loss	3,686	795	-	(145)	3,036
Inventories valuation	9,950	(5,462)	-	(42)	15,454
Loans and interest payable	148	(134)	-	(6)	288
Other assets and liabilities	171	(514)	-	(9)	694
Tax losses carried forward	29,285	(4,687)	-	(293)	34,265
	45,241	***(15,366)***	***(12,236)***	***(791)***	***73,634***
Unrecognized deferred tax asset	(29,950)	9,397	-	116	(39,463)
Deferred income tax expense from origination and reversal of temporary differences		(340)	(28,117)		
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	***11,075***				***30,131***
Deferred tax liabilities	***(20,872)***				***(10,789)***

	31 December 2022	Change recognised in profit or loss	Change recognised in other comprehensive income	Translation difference	31 December 2021
Deferred tax liabilities:					
Investments' valuation	-	20	-	3	(23)
Accelerated depreciation for tax purposes and revaluation of property, plant and equipment for financial reporting purposes	(14,829)	11,642	7,265	1,247	(34,983)
	(14,829)	***11,662***	***7,265***	***1,250***	***(35,006)***
Deferred tax assets:					
Investments' valuation	24	24	-	-	-
Accelerated depreciation for tax purposes and revaluation of property, plant and equipment for financial reporting purposes	17,568	7,331	9,042	1,195	-
Accrued liabilities and provisions	2,305	3,865	(2,518)	(1,088)	2,046
Allowance for expected credit loss	3,036	1,467	-	(478)	2,047
Inventories valuation	15,454	15,270	-	(524)	708
Loans and interest payable	288	138	-	(46)	196
Other assets and liabilities	694	(159)	-	(174)	1,027
Tax losses carried forward	34,265	(2,984)	-	(2,493)	39,742
	73,634	***24,952***	***6,524***	***(3,608)***	***45,766***
Unrecognized deferred tax asset	*(39,463)*	*(13,324)*	-	1,275	*(27,414)*
Deferred income tax expense from origination and reversal of temporary differences		23,290	13,789		
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	***30,131***				***8,318***
Deferred tax liabilities	***(10,789)***				***(24,972)***

The deferred tax effect on tax losses carried forward was as follows:

Country of origination	For the year ended 31 December 2023	For the year ended 31 December 2022
Ukraine	6,405	12,387
Cyprus	22,539	21,597
The USA	152	85
Kazakhstan	189	196
	29,285	***34,265***

Tax losses carried forward are available for offset against future taxable profits of the companies in which the losses arose for 20 years in the USA, for 5 years in Cyprus, 10 years in Kazakhstan and indefinitely in all other jurisdictions.

As at 31 December 2023 and 2022, the Company has not recognised deferred tax liability in respect of temporary differences amounting to USD 3,056 thousand and USD 915 thousand, respectively, associated with investments in the Group subsidiaries as the Company is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) and applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates, while in other jurisdictions, including Cyprus where the Company is registered, it was not yet enacted as at the date of authorization of these Consolidated Financial Statements for issue. Based on the preliminary assessment, the Group does not expect a material impact of the Pillar Two legislation on the Consolidated Financial Statements. Nevertheless, as the rules are complex, uncertainty exists and unforeseen outcomes of the Pillar Two legislation may exceptionally result in additional top-up tax, subject to future legislation development.

13. *INVENTORIES*

Inventories at lower of cost and net realisable value consisted of the following:

	31 December 2023	31 December 2022
Raw materials	38,948	31,379
Work in process	16,414	13,823
Finished goods	129,131	128,328
	184,493	***173,530***

As at 31 December 2023 and 2022, the Group inventories balances are carried at lower of cost or net realizable value and, accordingly, the write down adjustments bringing the inventories to the net realisable values amounted to USD 35,487 thousand and USD 36,251 thousand, respectively.

14. *TRADE AND OTHER ACCOUNTS RECEIVABLE*

Trade and other accounts receivable consisted of the following:

	31 December 2023	31 December 2022
Trade accounts receivable	111,740	141,484
Less allowance for expected credit losses	(12,797)	(11,905)
	98,943	129,579
Other receivables	10,363	13,109
Current portion of loans granted	5,533	-
Less of allowance for expected credit losses	(6,340)	(8,056)
	9,556	5,053
	108,499	***134,632***

As at 31 December 2023, Current portion of loans granted is represented by interest receivable on loans granted to related parties (Note 15, 34). Management of the Group considers the expected credit losses on interest receivable balance as immaterial for the purpose of preparation and presentation of these Consolidated Financial Statements.

As at 31 December 2023 and 2022, trade receivables were not pledged as a security for the Group's borrowings.

Movement in expected credit losses is disclosed in Note 36. As at 31 December 2022, the allowance for impairment of trade accounts receivable included USD 362 thousand of the allowance that was determined individually in respect of debtors with significant financial difficulties or with estimated high probability of their insolvency (31 December 2023: nil).

An impaired trade account receivable is written off against the allowance when there is no reasonable expectation of recovering the contractual cash flows. Trade receivables are non-interest bearing and are generally collected within a three-month term.

As at 31 December 2023 and 2022, 60% and 65% of trade accounts receivable, respectively, were due from twenty major customers.

15. *OTHER NON-CURRENT ASSETS, PREPAYMENTS AND OTHER CURRENT ASSETS*

Prepayments consisted of the following:

	31 December 2023	31 December 2022
Prepayments to suppliers	12,662	19,493
Prepaid land tax	2,323	926
	14,985	***20,419***

Other current assets consisted of the following:

	31 December 2023	31 December 2022
Custom duties to be reversed	5,994	-
Guarantee deposits	2,572	8,362
Restricted bank deposit	43	44
Prepaid insurance expense	107	88
Other current assets	449	74
	9,165	***8,568***
Total prepayments and other current assets	***24,150***	***28,987***

As at 31 December 2023 and 2022, the guarantee deposits represented collateral for US customs bond and restricted bank deposits were related to the letters of credit issued by banks in favour of the Group's suppliers with the contractual maturity exceeding 3-month period. As at 31 December 2023 and 2022, non-current portion of collateral for US customs bond is presented in other non-current assets as disclosed below.

Other non-current assets consisted of the following:

	31 December 2023	31 December 2022
Loans granted	85,000	-
Guarantee deposits	32,280	17,025
	117,280	***17,025***

During 2023, the Group provided interest-bearing loans to related parties in amount of USD 85,000 thousand with original maturity at 31 December 2023 and interest rate of 9% p.a. Management of the Group does not expect settlement of these loans during 12 months from the balance sheet date. Accordingly, USD 85,000 thousand of loans provided to related parties are presented within other non-current assets.

As at 31 December 2023 and 2022, management of the Group considers the expected credit losses on other current and other non-current assets balance as immaterial for the purpose of preparation and presentation of these Consolidated Financial Statements.

16. *TAXES RECOVERABLE, OTHER THAN INCOME TAX*

Taxes recoverable, other than income tax consisted of the following:

	31 December 2023	31 December 2022
Value-added tax recoverable	29,773	32,590
Other taxes recoverable	58	10
	29,831	***32,600***

VAT recoverable primarily originated in Ukraine.

17. *OTHER CURRENT FINANCIAL ASSETS*

As at 1 January 2022, the investment portfolio measured at fair value through profit and loss by reference to published price quotations in an active market amounted to USD 50,478 thousand. In 2022, the negative change in fair value of the investment portfolio was recognized within finance cost in the amount of USD 1,578 thousand (Note 31). In January 2022, the Company declared dividends (Note 32), which were paid in-kind by distribution of investment portfolio to owners / shareholders with a fair value of USD 48,900 thousand.

18. *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents consisted of the following:

	31 December 2023	31 December 2022
Current accounts and deposits on demand at banks	127,850	153,432
Time deposits at banks with maturity less than three months	119,601	333
Cash in hand	22	12
	247,473	***153,777***

As at 31 December 2023 and 2022, cash and cash equivalents with carrying amount of USD 257 thousand and USD 174 thousand, respectively, served as a cash cover for the the letters of credit issued by banks in favour of the Group's suppliers and guarantees issued by banks in favour of the Group's customers with the contractual maturity of less than 3 months.

As at 31 December 2023 and 2022, cash and cash equivalents were not placed as security for the Group's borrowings (Note 20).

Cash in banks is placed with the financial institutions with the following ratings:

	31 December 2023	31 December 2022
As rated by Fitch:		
AA	9,862	62,622
A	201,277	60,324
BBB	2,350	1,465
B	-	6,040
Not rated and other	33,984	23,326
	247,473	***153,777***

As at 31 December 2023 and 2022, management of the Group considers the expected credit losses on cash and cash equivalents balance as immaterial for the purpose of preparation and presentation of these Consolidated Financial Statements.

19. *SUBORDINATED LOAN*

In 2014, the shareholders provided the Group with the unsecured loan of USD 40 million to support its short-term liquidity position (the "Subordinated Loan") with the repayment subordinated (including interest accrued thereon) originally subject to 2011 Restructured facilities and EAF facilities priority and full settlement. The principal amount bore an interest at a rate of 10.5% per annum compounding annually.

On 4 October 2019, the total amount of the Subordinated Loan with interest accrued to that date of USD 69,204 thousand was (i) reassigned from the Former Parent to the Company as the borrower, (ii) made interest-free and (iii) its maturity and repayment terms were reset and subordinated to the Notes 2024 and the New Facility Agreement (amount of USD 45,808 thousand was repaid in full in 2019). Accordingly, as at that date, previously recognized financial liability was derecognized and new financial liability was recognized at its fair value with subsequent measurement at amortised cost using EIR method (EIR of 10.25% p.a.) with the initial recognition gain taken directly to equity.

During the year ended 31 December 2022, unwinding of discount in amount of USD 17,577 thousand was recognized within finance costs (Note 31) (2023: nil). On 22 July 2022, total amount of the Subordinated Loan USD 69,204 thousand was paid in full.

20. BORROWINGS AND INTEREST PAYABLE

As at 31 December 2023 and 2022 interest bearing borrowings comprised:

	31 December 2023	31 December 2022
Notes 2026	298,778	298,339
Performance Sharing Fee (fair value)	41,491	49,485
General Loan Facility (principal)	36,532	37,706
	376,801	***385,530***
Interest payable (current)	3,498	3,489
Lease liability	3,877	647
Total borrowings and interest payable	***384,176***	***389,666***
Current portion of long-term borrowings	***68,532***	***45,132***
Long-term borrowings	***315,644***	***344,534***

The Notes 2026 were 8.375% senior secured notes due in 2026 and included in the Securities Official List of the Luxembourg Stock Exchange.

The General Loan Facility was granted by a Ukrainian bank to a Group's Ukrainian subsidiary and consisted of EUR 30,000 thousand term loan and revolving EUR 7,000 thousand facility due in 2025 and 2024, respectively. The interest rate under the General Loan Facility was set at 4.50% for the first year and UIRD 12m EUR + 3.88% onwards. The General Loan Facility is secured by the pledge of certain items of movable property of the Group's Ukrainian subsidiary and sureties granted by other Ukrainian subsidiaries of the Group.

The Performance Sharing Fee represented obligations, contingent upon the Group's performance after occurrence of the Final Repayment Date. The sensitivities of the Performance Sharing Fee carrying amount are further disclosed in Note 37.

As at 31 December 2022, the carrying amount of the Performance Sharing Fee was determined at its fair value based on the best management estimates available to-date: the estimated performance of the Group in the Performance Assessment Period of the 2 half year 2022 – 1 half year 2024 as the notional annualized amounts in the range of USD 190-204 million of the Group EBITDA multiplied by the Applicable Percentage of 15% and using EIR of 26.42% p.a. with a shift in payment for one year plus 115 days after each of the 12 month periods then ending.

As at 31 December 2023, the carrying amount of the Performance Sharing Fee was determined at its fair value based on the best management estimates available to-date: the estimated performance of the Group in the Performance Assessment Period of the 2 half year 2023 – 1 half year 2024 as the notional annualized amounts in the range of USD 160-253 million of the Group Adjusted Cashflow multiplied by the Applicable Percentage of 22.5% and using EIR of 24.87% p.a. with a shift in payment for one year plus 115 days after each of the 12 month periods then ending.

	2023	2022
Fair value at the beginning of the year	***49,485***	***78,125***
Performance Fee re-measurement (Note 30, 31)	41,144	(3,759)
Performance Fee's payment	(49,138)	(24,880)
Other changes	-	(1)
Fair value at the end of the year	***41,491***	***49,485***

As at 31 December 2023 and 2022, no assessment is made for the Proceeds Sharing Fee element of the Performance Sharing Securities and obligations under the Performance Fee Agreement since (i) the amount and timing of the underlying capital transaction (if any) or the Net Proceeds thereof could not be reliably established, and (ii) there's no sufficient information as to the prior Performance Sharing Fee payment profile (deductible from the amount due and payable in respect of the Proceeds Sharing Fee).

As at 31 December 2023 and 2022, the long-term lease liability comprised USD 3,115 thousand and USD 27 thousand, respectively; short-term lease obligations comprised USD 762 thousand and USD 620 thousand, accordingly.

■ *Security package and pledges of assets*

As at 31 December 2023 and 2022, the General Loan Facility is secured by the pledge of the certain items of movable property of the Group's Ukrainian subsidiary with the carrying amount of USD 50,280 thousand and USD 14,775 thousand, respectively (Note 8), and sureties granted by other Ukrainian subsidiaries of the Group.

As at 31 December 2023 and 2022, there was no pledge of the Group subsidiaries' shares and participatory interest.

As at 31 December 2023 and 2022, the Group was subject to certain covenants:

- under Notes 2026 related primarily to the limitation of the dividends distribution and new borrowings;
- under General Loan Facility (Net Debt / EBITDA > 3.0, Debt Service Coverage Ratio > 1.25, etc.) related to new borrowings.

In case of breach of any of the covenants, the management will apply all necessary and available remediation actions.

The Group was in compliance with the covenants as at 31 December 2023 and 2022.

21. *PROVISIONS*

Provisions and employee benefits included the following:

	31 December 2023	31 December 2022
Provision for customers' and other claims	481	2,271
Defined benefit state pension plan	22,453	20,433
Retirement benefit plan	1,354	1,089
	24,288	***23,793***
Provision – current portion	(3,280)	(4,973)
Provision – non-current portion	***21,008***	***18,820***

Non-current portion of the provisions relates to defined benefit state pension plan and retirement benefit plan.

Changes in the provisions:

	Provision for customers' and other claims	Defined benefit state pension plan	Retirement benefit plan	Total provisions
At 1 January 2022	***424***	***41,537***	***2,340***	***44,301***
Charge for the year	2,123	-	-	2,123
Payments and utilisation	(185)	(2,578)	(52)	(2,815)
Reversal	-	(7,565)	(570)	(8,135)
Translation difference	(91)	(10,961)	(629)	(11,681)
At 31 December 2022	***2,271***	***20,433***	***1,089***	***23,793***
Charge for the year	-	5,385	333	5,718
Payments and utilisation	(2)	(2,502)	(12)	(2,516)
Reversal	(1,775)	-	-	(1,775)
Translation difference	(13)	(863)	(56)	(932)
At 31 December 2023	***481***	***22,453***	***1,354***	***24,288***

For the years ended 31 December 2023 and 2022, interest costs attributable to the defined benefit state pension plan and retirement benefit plan and amounting to USD 4,680 thousand and USD 4,797 thousand, respectively, were included in finance costs in the consolidated statement of comprehensive income.

Provision for customers' and other claims

Provision for customers' and other claims represents provision for probable losses and costs which the Group might incur relating to customers' possible future quality claims with respect to some new products and pipe solutions designed, delivered and sold by the Group where technical probation is still ongoing and other litigations (Note 35) filed against the Group in the courts. Reversal for the year ended 31 December 2023 amounted to USD 1,775 thousand (charge of USD 2,123 thousand for the year ended 31 December 2022) is included in the consolidated statement of comprehensive income.

Defined benefit state pension plan

Production subsidiaries of the Group domiciled in Ukraine have a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the former and existing employees of the Group. Under the plan the Group's employees who have qualifying working experience in health hazardous environment and thus eligible to early retirement are entitled to additional compensations financed by the Group and paid through the Ukrainian State Pension Fund. These obligations fall under definition of a defined benefit plan.

The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position with respect to the plan. Benefit expense, with the exception of interest cost, is included in payroll and related expenses within costs of sales (Note 25). Interest cost is included in finance costs (Note 31).

Benefit expense recognised in the profit or loss section of the consolidated statement of comprehensive income

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest cost (Note 31)	4,430	4,535
Current service cost	517	999
	4,947	***5,534***

Changes in the present value of the defined benefit state pension plan

	For the year ended 31 December 2023	For the year ended 31 December 2022
Present value at the beginning of the year	20,433	41,537
Current service cost	517	999
Interest cost (Note 31)	4,430	4,535
Payment	(2,502)	(2,578)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	1,741	(10,554)
- experience adjustments	(1,303)	(2,545)
Translation difference	(863)	(10,961)
Present value at the end of the year	***22,453***	***20,433***

The average duration of the defined benefit state pension plan at the end of the reporting period is 11.5 years (2022: 15.0 years).

Retirement benefit plan

Some production subsidiaries of the Group domiciled in Ukraine have contractual commitments to pay certain lump-sum payments to the retiring employees with a long service period as well as certain other post retirement and employment benefits according to the collective agreements. The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position with respect to the plan. Benefit expense, with the exception to interest cost, is included in payroll and related expenses within cost of sales and general and administrative expenses as appropriate. Interest cost is included in the finance costs (Note 31).

Benefit expense recognised in the consolidated statement of comprehensive income

	For THE year ENDED 31 December 2023	For THE year ENDED 31 December 2022
Interest cost (Note 31)	250	262
Current service cost	40	58
	290	***320***

Changes in the present value of retirement benefit plan

	For THE year ENDED 31 December 2023	For THE year ENDED 31 December 2022
Present value at the beginning of the year	1,089	2,340
Current service cost	40	58
Interest cost (Note 31)	250	262
Payment	(12)	(52)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	140	(578)
- experience adjustments	(97)	(312)
Translation difference	(56)	(629)
Present value at the end of the year	***1,354***	***1,089***

The average duration of the retirement benefit plan at the end of the reporting period is 15.4 years (2021: 17.3 years).

Principal assumptions applicable to all plans

The principal assumptions used in determining defined benefit obligations for the Group's defined benefit plans are shown below:

	31 December 2023	31 December 2022
Annual discount rate	20.7%	23.1%
Annual salary increase rate	18% IN 2024, 6% afterwards	17% IN 2023, 5.8% afterwards
Staff turnover	9.6%	8.0%
Mortality	0.97	0.97

- *Sensitivity analysis*

A quantitative sensitivity analysis for significant assumption as at 31 December 2023 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover		Annual mortality	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease	25% increase	25% decrease	10% increase	10% decrease
Impact on the net defined benefit obligation	(1,144)	1,185	77	(135)	(136)	208	(253)	190

The sensitivity analysis above were made based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

22. *TRADE AND OTHER ACCOUNTS PAYABLE*

Trade and other accounts payable consisted of the following:

	31 December 2023	31 December 2022
Trade accounts payable to suppliers	**84,218**	**94,685**
Dividends payable to non-controlling interest owners	154	160
Other accounts payable	5,505	4,424
	89,877	***99,269***

Trade accounts payable are non-interest bearing and are generally settled within a three-month term.

23. *ADVANCES AND OTHER CURRENT LIABILITIES*

Advances and other current liabilities consisted of the following:

	31 December 2023	31 December 2022
Short-term employee benefits	18,113	13,598
Advances from customers	12,005	25,437
Other current liabilities	81	826
	30,199	***39,861***

Advances from customers comprise the advances received for the Group's products which are to be supplied to these customers within a twelve-month period and are recognized as revenue from sales in full amount in subsequent period.

24. TAXES PAYABLE, OTHER THAN INCOME TAX

Taxes payable, other than income tax consisted of the following:

	31 December 2023	31 December 2022
VAT payable	3,478	43
Accrued and withheld payroll taxes	1,567	871
Other miscellaneous taxes payable	213	134
	5,258	***1,048***

25. COST OF SALES

Cost of sales consisted of the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Materials	(226,295)	(268,434)
Energy and utilities	(138,346)	(121,859)
Payroll and related expenses *	(43,954)	(41,623)
Duties	(28,333)	(61,157)
Depreciation	(19,748)	(26,831)
Rolling tools and instruments	(18,049)	(10,902)
Transport services Freight	(17,180)	(19,567)
Services of third parties	(11,096)	(19,594)
Repairs and maintenance	(11,008)	(8,741)
Accrual of adjustment of inventories to NRV, net	(2,292)	(35,449)
Land tax	(31)	(278)
Variable land lease payments	133	(4,483)
Other	(11,734)	(11,656)
	(527,933)	***(630,574)***

** Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 8,399 thousand for the year ended 31 December 2023 (2022: USD 5,888 thousand).*

26. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses consisted of the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Forwarding and transportation services	(59,728)	(93,492)
Payroll and related expenses*	(13,502)	(11,448)
Storage and packaging expenses	(4,660)	(4,199)
Professional fees, related to market research, and other service fees	(3,442)	(3,339)
Expected credit impairment accruals of trade receivables, net (Note 36)	(1,274)	(3,934)
Advertising and promotion	(1,047)	(1,212)
Sales agency fees	(850)	(550)
Customs services and duties	(599)	(472)
Depreciation	(477)	(584)
Insurance expense	(314)	(820)
Provision for claims, net	1,655	(1,838)
Other	(1,014)	(929)
	(85,252)	***(122,817)***

** Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 1,244 thousand for the year ended 31 December 2023 (2022: USD 1,072 thousand).*

27. *GENERAL AND ADMINISTRATIVE EXPENSES*

General and administrative expenses consisted of the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Payroll and related expenses*	(28,426)	(27,052)
Professional fees	(8,924)	(6,609)
Depreciation and amortisation	(2,503)	(2,420)
Business trips and transportation	(950)	(658)
Insurance expense	(629)	(526)
Bank fees	(532)	(812)
Rent (for items exempt under IFRS 16 – low-value and short-term)	(387)	(564)
Communication	(384)	(344)
Taxes, other than income tax	(331)	(339)
Repairs and maintenance	(163)	(133)
Other	(864)	(936)
	(44,093)	***(40,393)***

** Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 4,236 thousand for the year ended 31 December 2023 (2022: USD 3,875 thousand).*

AUDITORS' REMUNERATION

Auditors' remuneration for the year ended 31 December 2023 is included in professional fees above and comprises statutory audit fee for the audit of these Consolidated Financial Statements and stand-alone financial statements of certain Group subsidiaries of USD 451 thousand (2022: USD 373 thousand) as well as non-audit fees of USD 15 thousand (2022: USD 124 thousand).

28. *OTHER OPERATING INCOME AND EXPENSES*

Other operating income consisted of the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Customs duty reimbursements	7,187	11,723
Gain on disposal of by-products	1,817	2,176
Gain on disposal of property, plant and equipment and intangible assets	715	-
Customers' and other claims, net of reversals	119	-
Other	3,299	5,267
	13,137	***19,166***

Other operating expenses consisted of the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Maintenance of social assets*	(20,277)	(19,892)
Impairment of prepayments and other assets	(4,245)	(2,808)
Litigation expenses	(1,185)	(63)
Production downtime costs**	(550)	(12,893)
Loss of the joint venture dissolution (Note 11)	-	(1,120)
Loss on disposal of property, plant and equipment and intangible assets	-	(494)
Customers' and other claims, net of reversals	-	(285)
Other	(3,847)	(2,938)
	(30,104)	***(40,493)***

** Maintenance of social assets line includes charitable donations which directly related to the war of USD 19,739 thousand for the year ended 31 December 2023 (2022: USD 19,200 thousand).*

*** Production downtime costs line includes depreciation property, plant and equipment of USD 274 thousand and payroll and related expenses of USD 85 thousand for the year ended 31 December 2023 (2022: USD 6,207 thousand – depreciation property, plant and equipment and USD 2,638 thousand payroll and related expenses).*

29. *OPERATING AND NON-OPERATING FOREIGN EXCHANGE DIFFERENCE.*

Foreign currency translation differences on monetary assets and liabilities consisted of the following;

	For the year ended 31 December 2023	For the year ended 31 December 2022
Operating foreign exchange gains / (losses) originated on		
trade accounts receivable	52,505	167,036
settlements with suppliers	(7,129)	85
other operating exchange difference	(512)	8,834
	44,864	***175,955***
Non-operating foreign exchange gains / (losses) originated on		
loans payable other than those designated as net investments in foreign operations	(823)	(8,126)
cash balances	(1,557)	2,328
	(2,380)	***(5,798)***

30. *FINANCE INCOME*

Finance income consisted of the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income on short-term deposits and cash balance	**6,694**	**909**
Interest income on loans granted (Note 14, 15, 34)	5,533	-
Performance Sharing Fee re-measurement (Note 20)	-	3,759
Other finance income	21	1
	12,248	***4,669***

31. *FINANCE COSTS*

Finance costs consisted of the following:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Performance Sharing Fee re-measurement (Note 20)	(41,144)	-
Interest expense	(26,726)	(26,870)
Defined benefit state pension plan interest costs (Note 21)	(4,430)	(4,535)
Insurance expenses	(2,616)	(2,576)
Amortisation costs	(438)	(403)
Retirement benefit plan interest costs (Note 21)	(250)	(262)
Subordinated Loan discount unwinding (Note 19)	-	(17,577)
Change in FV of financial instruments (Note 17)	-	(1,578)
Other finance costs	(1,291)	(1,162)
	(76,895)	***(54,963)***

32. *EQUITY*

The Group was formed in April-September 2006 through a series of transactions that ultimately resulted in the Former Parent obtaining controlling ownership interest in the subsidiaries from entities which were under common control at the time of the above reorganisation. As part of the reorganisation all the shares of the Former Parent have been transferred to and, since 2006 are ultimately held by a number of discretionary trusts established to operate the Group as well as certain other investments.

In the course of the legal reorganization of the Group, as disclosed in Notes 1 and 0 to the Consolidated Financial Statements, the Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity of the Former Parent.

As part of the Restructuring in 2019, the new parent for the Group (the Company), with substantially the same ownership structure (held by the same discretionary trusts) as the Former Parent (see details below), was established. Accordingly, the Former Parent became a subsidiary of the Company and an interim holding company within the Group holding structure.

Mr. Viktor Pinchuk, a citizen of Ukraine, and his family members are beneficiaries of these discretionary trusts. The trustees engaged to manage the trusts are professional, experienced and reputable trust management companies.

- *Issued capital and capital distribution of the Former Parent (Interpipe Limited)*

Upon its incorporation on 30 December 2005, the Former Parent issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of CY£1 each at par. On 22 December 2006, the Former Parent issued 4,000 additional ordinary shares of CY£1 each at a premium of CY£ 41,033 each for a total premium of CY£164,132 thousand, which is equivalent to USD 361,091 thousand, translated at historic rate.

During the period from March to June 2008 a set of amendments was made to the authorised share capital of the Former Parent, including conversion of the authorised share capital into euro, a subdivision of existing shares, a merge of the Company's shares and two additional issues of shares both before the merge and after it.

In December 2011, the Former Parent issued 1,950,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 26 thousand) at a premium of EUR 25 each for a total premium of EUR 48,591 thousand, which is equivalent of USD 64,974 thousand, translated at historic rate.

In 2019, the Former Parent issued 50,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 1 thousand). This newly issued shares of the Former Parent were allocated to the Company in exchange for contribution of the Group intercompany loans (which the Company became party to in a capacity of the lender - as a result and consequence of assignments of the third-party borrowings from the Group non-Cyprus subsidiaries to the Company to act in a capacity of the borrower to such external third-party lenders as was required by the Restructuring terms and conditions) in two transactions as follows:

(i) the first lot of 25,000 ordinary shares at a premium of EUR 15,800 thousand each for a total premium of EUR 395 million, which is equivalent of USD 434 million, translated at historic rate, and

(ii) the second lot of 25,000 ordinary shares at a premium of EUR 4,640 thousand each for a total premium of EUR 116 million, which is equivalent of USD 129 million, translated at historic rate.

As a result of the above mentioned transactions, as at 31 December 2023 and 2022, the number of shares amounted to 4,002,000,000 ordinary shares of EUR 0.01 each and the authorised, issued and fully paid capital of the Former Parent amounted to EUR 40,020 thousand (equivalent of USD 62,305 thousand). The shares of the Former Parent are not listed.

- *Issued capital and capital distribution of the Company (Interpipe Holdings PLC)*

Upon its incorporation on 4 April 2019, the Company issued and allotted to the subscribers of its Memorandum of Association 5,000 ordinary shares of EUR 1 each (equivalent of USD 6 thousand). Further, on 11 July 2019, the Company issued additional 25,000 ordinary shares of EUR 1 each (equivalent of USD 28 thousand) and allotted them to substantially the same subscribers as upon its incorporation.

The subscribers under the Company's Memorandum of Association (as well as under the further additional subscription) are the same discretionary trusts – shareholders of the Former Parent. The allocation of the Company's shares retain the same holding structure of the shareholders as existed in the Former Parent's share capital.

The following transactions with the Company's ordinary shares were carried out in 2019, prior to the Restructuring Effective Date:

(i) All, but one, of the Company's shareholders have exchanged 4,001,949,200 ordinary shares in the Former Parent for the Company's 4,340 ordinary shares retaining the holding structure and proportions vis-à-vis each other substantially the same as existed in the share capital of the Former Parent. The exchange resulted in (i) the Former Parent becoming a 99.99998% subsidiary of the Company and (ii) par value of the shares of EUR 4,340 (equivalent of USD 5 thousand) were exchanged for the respective value of the Former Parent equity in amount of EUR 40,015 thousand (equivalent of USD 44,282 thousand) thus, at a premium of USD 44,277 thousand, (iii) the Group retained the same composition and structure which assured seamlessness of the Group corporate reporting framework and (iv) the remainder 800 ordinary shares of the Former Parent are retained by one of the Company's shareholders and constitute a minority interest of 0.00002%

for the Company holding the Former Parent as well as has immaterially (USD 28 thousand) dilutive impact on the Group subsidiaries effective ownership (Note 33).

(ii) One of the shareholders paid USD 50 million cash equity contribution in exchange for the Company's 10 ordinary shares with par value of EUR 10 (equivalent of USD nil) thus, at a premium of USD 50,000 thousand.

The shares of the Company are not listed.

- *Unpaid share capital*

As at 31 December 2023 and 2022, the Company's 25,650 ordinary shares at par value of EUR 26 thousand (equivalent of USD 28 thousand and USD 27 thousand as at 31 December 2023 and 2022) remained unpaid.

- *Revaluation reserve*

Revaluation reserve is used to record increases in the fair value of property, plant and equipment as well as decreases to the extent that such decreases relate to any prior increase on the same asset previously recognised in OCI. Revaluation reserve is limited in respect of dividends distribution.

- *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations denominated in their respective functional currencies into the Group reporting currency as well as monetary items that form part of the net investment in these foreign operations.

- *Dividends payable by the Company and its subsidiaries*

In January 2022, the Company has declared and paid in-kind dividends in a non-cash form with a fair value of USD 48,900 thousand (Note 17).

There were no dividends declared by the Company or its subsidiaries that should be paid to the shareholders for the year ended 31 December 2023.

33. *PRINCIPAL SUBSIDIARIES*

The Group included the following subsidiaries as at 31 December 2023 and 2022:

Name of the company	Country of incorporation	Business activities	Effective ownership	
			31 December 2023	31 December 2022
PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant"	Ukraine	Production of seamless pipes and railway wheels	94,75040%	94,75040%
JSC "Interpipe Novomoskovsk Pipe-Production Plant"	Ukraine	Production of welded pipes	90,62046%	90,62046%
"Interpipe Niko Tube" LLC	Ukraine	Production of seamless pipes	99,99998%	99,99998%
"MP "Dneprosteel" LLC	Ukraine	Production of steel billets	99,99998%	99,99998%
"Dneprosteel-Energo" LLC	Ukraine	Resale of electricity	99,99998%	99,99998%
"Transkom - Dnepr" LLC	Ukraine	Transportation services	97,94998%	97,94998%
"Limestone factory" LLC	Ukraine	Production of limestone	94,75038%	94,75038%
Society "Dishware Novomoskovsk" Ltd	Ukraine	Production of dishware	90,62044%	90,62044%
JSC "Interpipe Dneprovtormet"	Ukraine	Scrap metal processing	98,71033%	98,71033%
"META" LLC	Ukraine	Scrap metal processing	98,71467%	98,71467%
"Luganskiy Kombinat Vtormet" LLC	Ukraine	Scrap metal processing, dormant company	98,67332%	98,67332%
"Research and development center "Quality" LLC	Ukraine	Research and development	99,99998%	99,99998%
"Interpipe Management" LLC	Ukraine	Management services	99,99998%	99,99998%
"Interpipe Ukraine" LLC	Ukraine	Trading	99,99998%	99,99998%
"KLW Ukraine" LLC (former "KLW Production" LLC)	Ukraine	Trading	99,99998%	99,99998%
"Interpipe-M" LLC	russia	In the process of liquidation *	99,99998%	99,99998%
"Interpipe Kazakhstan" LLC	Kazakhstan	Trading, dormant company	99,99998%	99,99998%
Interpipe Europe SA	Switzerland	Trading	99,99998%	99,99998%
KLW-Wheelco SA	Switzerland	Trading	99,99998%	99,99998%
North American Interpipe, Inc	The United States	Trading	99,99998%	99,99998%
KLW North America, Inc	The United States	Trading	99,99998%	99,99998%
Interpipe M.E, a free zone establishment with limited liability	The United Arab Emirates	Trading	99,99998%	99,99998%
Interpipe Central Trade GmbH	Germany	Trading	99,99998%	99,99998%
Steel.One Limited	Cyprus	Subholding	99,99998%	99,99998%
KLW Limited (former Saleks Investments Limited)	Cyprus	Subholding	99,99998%	99,99998%
Interpipe Limited	Cyprus	Former Parent, Subholding	99,99998%	99,99998%
Interpipe Investments PLC	Cyprus	Performance Fee Debtor	94,00000%	94,00000%
IP Niko Tube GmbH	Germany	Subholding	99,99998%	99,99998%
Vallourec Niko Tube LLC	Ukraine	Production of seamless pipes	99,99998%	99,99998%

**On or immediately after 24 February 2022 the Group suspended all shipments of the finished goods to russia, belorussia and made a decision on liquidation of its trading company in russia Interpipe-M LLC followed by the dismissal of its employees. The Group has been endeavoring to finalize the liquidation process, which is now driven by the local official, as soon as possible.*

34. RELATED PARTY TRANSACTIONS

The Group defines related parties in accordance with IAS 24 "Related Party Disclosures". IAS 24 focuses significantly on the concept of "control" (including common control) and "significant influence" as primary methods of related party identification.

During years ended 31 December 2023 and 2022, the Group's transactions with its related parties comprised those with its associates (Note 10), shareholders, key management personnel and other related parties.

- *Transactions with associates and other related parties*

The transactions and outstanding balances of the Group with its related parties are presented below:

	2023				2022		
	Associates	**Other**	**Total**		**Associates**	**Other**	**Total**
Transactions:							
Sales	1,966	12,102	14,068		1,449	4,049	5,498
Purchases	9,631	22,842	32,473		8,437	42,185	50,622
Finance income	-	5,533	5,533		-	-	-
Other operating income	-	758	758		-	-	-
Outstanding balances:							
Amounts owed to the Group	8,305	90,608	98,913		105	1,746	1,851
Amounts owed by the Group	6,477	15,177	21,654		4,169	19,854	24,023

- *Terms and conditions of transactions with associates, joint venture and other related parties*

The sales to and purchases from the related parties are made at terms equivalent to those that in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2023, the Group has recorded release of an expected credit loss allowance relating to receivables from the related parties amounting to USD 1,036 thousand (2022: expected credit loss charge USD 6,652 thousand). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

TRANSACTIONS WITH SHAREHOLDERS

- *Subordinated Loan*

Details of the Subordinated Loan are disclosed in Note 19.

- *Accounts payable to shareholders*

As at 31 December 2023, accounts payable to shareholders, included in other accounts payable and, amounted to USD 232 thousand, (2022: USD 224 thousand) were interest free, unsecured and payable on demand.

COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel of the Group as at 31 December 2023 comprised:

The members of the Board of Directors:

Name	Function
Ganna Khomenko	Non-Executive Director
Yakiv Konstantynivs'ky	Non-Executive Director
Iuliia Chebotarova	Non-Executive Director
Philippe Bideau	Independent Non-Executive Director
Oleksandr Kirichko	Non-Executive Director
Thomas Myer Kearney	Independent Non-Executive Director
Fiona Jane Mary Paulus	Independent Non-Executive Director
Andrii Korotkov	Chief Executive Officer of Interpipe Holdings PLC
Fadi Hraibi	Non-Executive Director

Senior Management of the Group as at 31 December 2023 and 2022 comprised thirteen and ten persons, respectively, (including the CEO who is also a member of the Board of Directors). For the year ended 31 December 2023, total compensation, comprising short-term employee benefits, to the members of the Board of Directors amounted to USD 1,125 thousand (2022: USD 1,000 thousand) and total compensation to the members of Senior Management of the Group amounted to USD 3,761 thousand (2022: USD 2,904 thousand). The compensation was included in general and administrative expenses in the consolidated statement of comprehensive income. In addition to the above no other incentives were attributable to the key management personnel of the Group.

35. *COMMITMENTS, CONTINGENCIES AND OPERATING RISKS*

■ *Operating environment*

The Group has significant operations in Ukraine and, to a substantially lower scope, in some other CIS countries (except of russia, belorussia - on or immediately after 24 February 2022 the Group suspended all shipments of the finished goods to these countries), whose economies while deemed to be of market status continue to display certain characteristics consistent with those of an economy in transition. These characteristics include, but are not limited to low levels of liquidity in the capital markets, relatively high inflation and the existence of currency controls which cause the national currencies to be illiquid outside of these countries. These countries continue economic reforms and development of their legal, tax and regulatory frameworks as required by a market economy. The future stability of the economies is largely dependent upon the success of these reforms and the effectiveness of economic, financial and monetary measures undertaken by their governments. As a result, operations in Ukraine and other CIS countries (except of russia and belorussia) involve risks that are not typical for developed markets.

All of the above factors, as disclosed in Note 2 "Operating environment and risks of the Group", had already affected and may have a further adverse effect on the Group's consolidated financial position and results of operations.

■ *Taxation*

Ukrainian legislations and regulations regarding taxation and other regulatory matters, including currency exchange control and custom regulations, continue to evolve. The legislations and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations continue to be not unusual.

The Ukrainian tax authorities have been seen to consistently increase their audit activity for transactions with non-resident entities, to which they seek to apply such relatively new requirements as "beneficial ownership", "substance over form", and other similar principles. They also have started to enforce more vigorous and stringent transfer pricing rules introduced in Ukraine in 2013. The transfer pricing legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation.

In Cyprus, the tax results for the periods from 2011 to 2016 for Interpipe Limited and from 2008 to 2013 for Steel.One Limited are currently under review and objection with the Cyprus Tax Authorities.

Management has implemented internal controls to be in compliance with such regulatory and tax compliance matters in the countries where the Group operates, including new Ukrainian transfer pricing legislation and believes that its interpretation of the relevant legislations is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable. Where the risk of outflow of resources is probable, the Group has accrued tax liabilities based on management's best estimate.

Nevertheless, the uncertainty related to inconsistent enforcement and application of the tax legislation in the above countries creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities, which cannot be reliably estimated, but, if sustained, could have a material effect on the Group's financial position, results of operations and cash flows. Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises operating in Ukraine or CIS countries. When it is not considered probable that a material claim will arise, no provision has been established in the Consolidated Financial Statements. Management further believes that ascertained risks of possible outflow of resources arising from tax and other regulatory compliance matters are immaterial as at 31 December 2023 and 2022.

■ *Litigations*

As at 31 December 2023 and 2022, PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant", MP "Dneprosteel" LLC and Interpipe Ukraine were defendants in several litigations with a total potential claimed payments amounting to approximately USD 51 thousand and USD 171 thousand, respectively. Provision for probable adverse consequences of the above cases amounting to USD 51 thousand and USD 171 thousand was included in total provision for customers' and other claims in the consolidated statement of financial position as at 31 December 2023 and 2022, respectively (Note 21).

In addition to the specific cases mentioned above, in the ordinary course of business the Group is subject to legal actions and complaints. As at 31 December 2023 and 2022, there were no provisions due to the low risk of the negative consequences for the Group. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the consolidated financial position or the results of future operations of the Group.

■ *Perpetual land lease rights*

The Group has the right of permanent use of the land plots on which its Ukrainian production facilities are located and pays land tax as assessed annually by the state based on the total area and use for which the land is zoned. The Group assessed the terms of land plots as permanent use arrangements and concluded that related payments should not be capitalised as they do not meet respective criteria set by IFRS 16.

■ *Contractual commitments for the acquisition of property, plant and equipment*

As at 31 December 2023 and 2022, the Group's contractual commitments for acquisition and modernisation of production equipment amounted to USD 29,353 thousand and USD 11,862 thousand, respectively.

36. *FINANCIAL INSTRUMENTS*

■ *Carrying amount of financial assets*

The carrying amounts of financial assets measured at amortized cost were as follows:

	31 December 2023	31 December 2022
Other non-current assets (Note 15)	117,280	17,025
Trade and other accounts receivable (Note 14)	108,499	134,632
Other current assets	8,609	8,406
Cash and cash equivalents (Note 18)	247,473	153,777
	481,861	***313,840***

None of the above assets is individually materially credit-impaired and there has been no significant increase in credit risk since initial recognition. The amounts presented above also represent the maximum exposure to credit risk.

The loss allowance as at 31 December 2023 and 2022 is based on the simplified approach for lifetime expected credit losses and is presented in the table below.

	Expected credit loss weighted RATE 2023	Expected credit loss WEIGHTED rate 2022	31 December 2023	31 December 2022
Trade accounts receivable:				
Current	1%	1%	507	845
Past due up to 3 months	4%	6%	1,482	2,180
Past due from 3 month up to 6 months	24%	41%	663	1,094
Past due over 6 months	58%	52%	10,145	7,786
Total expected credit loss			***12,797***	***11,905***
Other accounts receivable:				
Current	17%	nil	191	1
Past due up to 3 months	2%	3%	3	53
Past due from 3 month up to 6 months	25%	68%	31	83
Past due over 6 months	99%	100%	6,115	7,919
Total expected credit loss			***6,340***	***8,056***

A reconciliation of the changes in the loss allowance is set out below:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Trade accounts receivable:		
At period beginning	11,905	10,363
Charge for the year (NOTE 26)	1,274	3,934
Write-off	(41)	(2,474)
Translation difference	(341)	82
At period end	***12,797***	***11,905***
Other accounts receivable:		
At period beginning	8,056	7,121
(Reversal) / charge for the year	(1,357)	1,644
Write-off	(14)	(6)
Translation difference	(345)	(703)
At period end	***6,340***	***8,056***

■ *Carrying amount of financial liabilities*

The carrying amounts of financial liabilities measured at amortized cost comprised:

	31 December 2023	31 December 2022
Borrowings and interest payable (Note 20)	342,685	340,181
Trade and other accounts payable (Note 22)	89,877	99,269
	432,562	***439,450***

Changes in liabilities arising from financing activities:

	1 January 2023	Changes from financing cash flows*	The effect of changes in foreign exchange rates	Interest, finance costs and other changes	31 December 2023
Borrowings and interest payable (Note 20):					
NOTES 2026	298,339	-	-	439	298,778
General Loan Facility	37,706	(2,811)	1,637	-	36,532
Performance Sharing Fee	49,485	(49,138)	-	41,144	41,491
Lease liability	647	(579)	297	3,512	3,877
Interest accrued but not paid	3,489	(27,554)	(8)	27,571	3,498
Total	***389,666***	***(80,082)***	***1,926***	***72,666***	***384,176***

** Cash flow include amounts of interest paid and repayment of lease liability principal amount, presented within cash flows from operating activity in order to reconcile balances.*

	1 January 2022	Changes from financing cash flows*	The effect of changes in foreign exchange rates	Interest, finance costs and other changes	31 December 2022
Borrowings and interest payable (Note 20):					
NOTES 2026	297,936	-	-	403	298,339
General Loan Facility	41,886	(1,566)	(2,614)	-	37,706
Performance Sharing Fee	78,125	(24,880)	(1)	(3,759)	49,485
Lease liability	1,153	(592)	44	42	647
Interest accrued but not paid	3,511	(27,862)	(50)	27,890	3,489
	422,611	(54,900)	(2,621)	24,576	389,666
Subordinated Loan (Note19)	51,627	(69,204)	-	17,577	-
Total	***474,238***	***(124,104)***	***(2,621)***	***42,153***	***389,666***

** Cash flow include amounts of interest paid and repayment of lease liability principal amount, presented within cash flows from* operating activity in order to reconcile balances.

37. *FINANCIAL RISK MANAGEMENT*

The Group's principal financial instruments comprise trade receivables and payables, interest bearing loans due to banks, bonds issued, Performance Sharing Fee, other current financial assets, cash and cash equivalents.

The main purpose of these financial instruments is to provide funding for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The Group may also from time to time enter into derivative transactions, primarily forward currency contracts. The purpose is to manage currency risks arising from Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

FOREIGN CURRENCY RISK

The Group performs its operations mainly in the following currencies: the Ukrainian hryvnia ("UAH"), the US dollar ("USD"), and the Euro ("EUR"). The exchange rate of USD to UAH and related cross-rates to other currencies as set by the National Bank of Ukraine ("NBU") as at the dates stated were as follows:

	100 UAH	1 EUR	100 RUB
As at 31 December 2023	2.633	1.111	1.109
As at 31 December 2022	2.735	1.065	1.387

The Group sells its products to Europe, Middle East and Africa, Americas and other regions; purchases materials from other countries; and attracts substantial amounts of foreign currency denominated short-term and long-term borrowings, and is, thus, exposed to foreign exchange risk. Foreign currency denominated trade receivables and payables, and borrowings give rise to foreign exchange exposure.

The following tables demonstrate USD equivalents of the monetary assets and liabilities originally denominated in different currencies, as at 31 December 2023 and 2022:

	UAH	USD	EUR	RUB	Other	Total
As at 31 December 2023						
Other non-current assets	32	117,066	144	-	38	***117,280***
Other current assets	302	8,264	-	-	43	***8,609***
Trade and other accounts receivable	11,787	63,514	32,616	257	325	***108,499***
Cash and bank deposits	17,458	203,716	22,288	407	3,604	***247,473***
	29,579	***392,560***	***55,048***	***664***	***4,010***	***481,861***
Borrowings and interest payable	-	347,644	36,532	-	-	***384,176***
Trade and other accounts payable	58,337	20,001	11,193	42	304	***89,877***
	58,337	***367,645***	***47,725***	***42***	***304***	***474,053***
As at 31 December 2022						
Other non-current assets	32	16,762	63	-	168	***17,025***
Other current assets	-	8,339	24	-	43	***8,406***
Trade and other accounts receivable	11,963	94,249	23,034	5,199	187	***134,632***
Cash and bank deposits	12,885	107,176	31,392	509	1,815	***153,777***
	24,880	***226,526***	***54,513***	***5,708***	***2,213***	***313,840***
Borrowings and interest payable	-	351,960	37,706	-	-	***389,666***
Trade and other accounts payable	44,662	42,371	11,976	57	203	***99,269***
	44,662	***394,331***	***49,682***	***57***	***203***	***488,935***

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant:

For the year ENDED 31 December 2023	High / low limits of change in currency exchange rate, %	Effect on profit before tax	Effect on other comprehensive income
USD/UAH	+10.00%	13,806	(52,125)
EUR/UAH	+10.00%	43,360	-
RUB/UAH	+10.00%	183	-
EUR/USD	+10.00%	(35,496)	-
USD/UAH	-5.00%	(6,903)	26,063
EUR/UAH	-5.00%	(21,680)	-
RUB/UAH	-5.00%	(92)	-
EUR/USD	-5.00%	17,748	-

For the year ENDED 31 December 2022	High / low limits of change in currency exchange rate, %	Effect on profit before tax	Effect on other comprehensive income
USD/UAH	+21.86%	47,305	(130,038)
EUR/UAH	+17.09%	47,499	-
RUB/UAH	+33.25%	2,383	-
EUR/USD	+10.60%	(27,143)	-
USD/UAH	-21.86%	(47,305)	130,038
EUR/UAH	-17.09%	(47,499)	-
RUB/UAH	-33.25%	(2,383)	-
EUR/USD	-10.60%	27,149	-

NET INVESTMENTS IN FOREIGN OPERATIONS

On 1 January 2014, the Company designated certain intra-group financial instruments which settlement was neither planned nor likely to occur in the foreseeable future, as net investments in a number of its Ukrainian subsidiaries in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". Such financial instruments comprised of intercompany loans and, in some cases, other long-term receivables and payables. Accordingly, foreign exchange differences arising on such financial instruments after the designation date had been recognised in other comprehensive income. As at 31 December 2023 and 2022, the accumulated balance of exchange differences on net investment in foreign operations amounted to USD 1,011,370 thousand and USD 987,424 thousand, respectively.

The impact of exchange differences on other comprehensive income comprises:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Exchange differences on translation of foreign operations (other than financial instruments designated as net investments)	(32,213)	(107,891)
Net foreign exchange loss from financial instruments designated as part of net investments in foreign operations	(23,946)	(214,503)
	(56,159)	***(322,394)***

LIQUIDITY RISK

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and borrowings.

The Group analyses the ageing of its assets and the maturity of its liabilities and plans its liquidity depending on expected repayment of various instruments. In the case of insufficient or excessive liquidity in individual entities, the Group relocates resources and funds among the Group entities to achieve optimal financing of business needs of each entity.

The table below summarises the maturity profile of the Group's financial liabilities based on their contractual undiscounted payments (estimated for contingent liabilities of the Performance Sharing Fee) and maturities:

As at 31 December 2023	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Notes 2026	-	21,775	337,688	-	359,463
General Loan Facility	3,765	20,589	14,207	-	38,561
Performance Sharing Fee	-	49,709	-	-	49,709
Lease liability	214	643	3,430	-	4,287
Interest payable	-	3,498	-	-	3,498
Trade and other accounts payable	75,199	14,678	-	-	89,877
	79,178	***110,892***	***355,325***	**-**	***545,395***

As at 31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Notes 2026	-	21,775	362,675	-	384,450
General Loan Facility	707	11,055	28,774	-	40,536
Performance Sharing Fee	-	37,325	28,491	-	65,816
Lease liability	346	246	264	-	856
Interest payable	-	3,489	-	-	3,489
Trade and other accounts payable	99,269	-	-	-	99,269
	100,322	***73,890***	***420,204***	**-**	***594,416***

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations (Note 20). The Group's policy is to manage its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The following table demonstrates the annualised sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all other variables held constant:

For the year ended 31 December 2023	High / low limits of change in interest rate, %	Effect on profit before tax
Interest rate	-1%	365
Interest rate	+1%	(365)

For the year ended 31 December 2022	High / low limits of change in interest rate, %	Effect on profit before tax
Interest rate	-1%	377
Interest rate	+1%	(377)

CREDIT RISK

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of bank deposits (Notes 15 and 18), other current financial assets (Note 17) and trade and other accounts receivable (Note 14).

Cash in banks is placed with the financial institutions with the following ratings:

	31 December 2023	31 December 2022
As rated by Fitch:		
AA	9,862	62,622
A	201,277	60,324
BBB	2,350	1,465
B	-	6,040
Not rated and other	33,984	23,326
	247,473	***153,777***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. Most of the Group's sales are made to customers with an appropriate credit history or on a prepayment basis. The Group does not require collateral in respect of its financial assets. The credit risk exposure of the Group is monitored and analysed on a case-by-case basis. Based on historical collection statistics, the Group's management believes that there is no significant risk of loss to the Group beyond the impairment allowances already recognised against the assets. The maximum exposure to the credit risk is represented by the carrying amounts of the financial assets that are carried in the consolidated statement of financial position.

CAPITAL RISK MANAGEMENT

The Group considers its debt and shareholders' equity as the primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits to other stakeholders as well as to provide financing of its operating requirements, capital expenditures and the Group's development strategy.

	31 December 2023	31 December 2022
Borrowings and interest payable	384,176	389,666
Trade and other accounts payable	89,877	99,269
Less: Cash and cash equivalents	(247,473)	(153,777)
Net debt	***226,580***	***335,158***
Equity	530,567	205,747
Capital and net debt	***757,147***	***540,905***
Gearing ratio *	30%	62%

** Gearing ratio = Net debt / Capital and net debt*

The Group's capital management policies aim to ensure and maintain an optimal capital structure, to reduce the overall cost of capital and to provide flexibility relating to the Group's access to capital markets. Furthermore, the Group makes its investment decisions taking into consideration its capital structure.

RISK OF CHANGE IN VALUE / TIMING OF THE PAYMENT OF THE PERFORMANCE SHARING FEE

As discussed in the Note 20, the Performance Sharing Fee valuation depends on the level of the Group performance during the Fee Assessment Period as well as on EIR applied in determination of its carrying amount (amortized cost) as at 31 December 2023 and 2022 – applied 24.87% per annum as at 31 December 2023 and 26.42% per annum as at 31 December 2022.

The table below summarises the Performance Sharing Fee change (+ or –) of its carrying amount of USD 41,491 thousand and USD 49,485 thousand as at 31 December 2023 and 2022, respectively, depending on (i) change of the notional amount (Group Adjusted Cashflow for 2023 and Group EBITDA for 2022) by USD 10 million per annum during the Fee Assessment Period and (ii)&(iii) changes in the EIR (24.87% for 2023 and 26.42% for 2022) by 1% used in the Performance Sharing Fee fair value determination as at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Change of notional amount by USD 10 millions (plus/minus) – (i)	1,878	2,221
Market rate plus 1.00% – (ii)	(259)	(461)
Market rate minus 1.00% – (iii)	263	470

FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the Groups' financial instruments disclosed in the Note 7.

38. *EVENTS AFTER THE REPORTING PERIOD*

The Group has issued the Consolidated Financial Statements later than required, however the management applied remediation actions during permitted grace period of 30 days and issued the Consolidated Financial Statements on 29 May 2024. The events after the reporting date, which relate to the operating environment of the Group are disclosed in the Note 2. The following changes occurred in Board of Directors' constitution and responsibilities allocation up to the date of this report:

- In May 2024, Andrii Korotkov resigned from the position of the Director of the Board of Directors and the CEO of the Company;
- In May 2024, Yakiv Konstantynivs'ky resigned from the position of the Non-Executive Director of the Board of Directors.

Annexes

2023

ANNEXES

Table of compliance with GRI and SASB Standards **Statement on reporting**	This Annual Report of Interpipe Group has been prepared in accordance with the GRI (Global Reporting Initiative) 2021 and SASB (Sustainability Accounting Standards Board) Standards and covers the Group's activities for the period from January 1, 2023 to December 31, 2023.
GRI 1 APPLIED	GRI 1: FOUNDATION 2021
Required GRI Sectoral Standards	The required GRI Sectoral Standards have not yet been published as of the date of this 2023 Annual Report
SASB applied	EM—IS "Iron & Steel Producers"

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
			GENERAL INDICATORS		
GRI 2: General indicators 2021	2-1	About the organisation		***About Interpipe*** ***Corporate governance of the Group*** ***About this Report*** The parent company, Interpipe Holdings Plc, is registered at 8 Mikinon, 1065 Nicosia, Cyprus.	*7, 51, 117*
	2-2	Entities mentioned in the Report		***About Interpipe*** ***Corporate governance of the Group*** ***About this Report*** All entities covered by this Annual Report of Interpipe Group are also covered by the Consolidated Financial Statements of Interpipe Holdings Plc for 2023.	*7, 51, 117*
	2-3	Reporting period, frequency and contacts		***About this Report*** ***Contact info*** The financial statements and the annual report are prepared on a calendar year basis, from January 1 to December 31.	*117, 200*
	2-4	View information		The 2023 Annual Report of Interpipe Group includes some revised indicators that differ from those stated in the 2022 Annual Report of Interpipe Group. The revised indicators are as follows: • Geographical distribution of railway products sales; • Structure of imports of seamless pipes to European countries; • Structure of imports of seamless pipes for drilling in North America (by import destination); • Revenue from sales of Interpipe Group's pipe products (by product category); • Sales volumes of Interpipe Group's products by selected products in the regions; • Number of employees by age and gender; • Number of employees by type of employment contract as at the end of the year; • Structure of corporate governance bodies by age and gender; • Number of confirmed and registered accidents and injuries at Interpipe Group's production facilities; • Use of materials for steel production; • Total amount of waste generated by the Interpipe Group; • Greenhouse gas emissions by Interpipe Group companies. • The reasons for these corrections are primarily related to data clarification and changes in calculation methodologies.	

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
	2-5	External confirmation		***Financial results of the Group*** Interpipe Group does not currently have a policy of external assurance of its non-financial statements. This Interpipe Group Annual Report 2023 has not been audited.	*41*
	2-6	Industry, value chain and other business relationships		***About Interpipe*** ***Group Procurement and Supply Chain Management***	*7, 65*
	2-7	Employees (company's own staff)		***Employees of the Group and their working conditions*** ***Additional Quantitative Indicators Group employees***	*70, 191*
	2-8	Employees who are not part of the company's own staff		***Indicator is not applicable*** Interpipe Group does not engage the services of external personnel for the fulfilment of its operational requirements. Consequently, the aforementioned indicator is not applicable in this context.	
	2-9	Structure and composition of the supreme governing body		***Corporate governance of the Group*** In comparison to 2022, there were no alterations to the corporate governance system or the composition of the supreme management body of Interpipe Group in 2023.	*51*
	2-10	Appointment and election of the supreme governing body		***Corporate governance of the Group***	*51*
	2-11	The Chairman of the Supreme Governing Body		The Board of Directors of the Group does not have a permanent chairman; instead, one is elected at each meeting.	
	2-12	The role of the supreme governing body in impact management oversight.		***Strategic Priorities of Interpipe Group*** ***Corporate governance of the Group*** Interpipe Group is currently developing its formalised sustainability strategy for 2023. The Group has yet to approve special procedures and policies for assessing actual and potential negative impacts in the field of sustainable development, as well as other processes for identifying and managing the Group's impacts on the economic, environmental and social spheres.	*12, 51*
	2-13	Delegation of authority for impact management		Delegation is conducted in accordance with the statutory powers and the authority matrix approved by the Board of Directors.	*51*
	2-14	The role of the supreme governing body in sustainability reporting		***Strategic Priorities of Interpipe Group*** ***Corporate governance of the Group*** The Board of Directors reviews and approves the annual report of Interpipe Group prior to its official publication.	*12, 51*
	2-15	Conflict of interest		***Corporate governance of the Group*** In accordance with the Charter of Interpipe Holdings PLC, members of the Board of Directors are prohibited from voting on matters in which they have or may have a conflict of interest. The Group's Codes and policies strictly prohibit conflicts of interest. The names and details of the members of the Board of Directors are available for review by any interested party.	*51*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
	2-16	Review of significant matters		Interpipe Group does not currently have established procedures for discussing concerns at the level of the supreme governing body.	
	2-17	Collective awareness of the supreme governing body		No special events were held in 2023.	
	2-18	Evaluation of the performance of the supreme governing body		The performance of the Board of Directors was not subject to evaluation in 2023.	
	2-19	Remuneration Policy		***Process of determining remuneration*** ***Indicator is partially disclosed*** Interpipe Group does not have separate policies governing the remuneration of its senior governing body.	***53***
	2-20	The process of determining remuneration		***Principles of motivation and reward***	***53***
	2-21	Total annual compensation ratio		***Indicator is not disclosed*** Total annual compensation ratio is considered confidential and is not publicly disclosed.	
	2-22	Sustainability strategy statement		***Message from the Board of Directors of INTERPIPE Holdings PLC*** Environmental, Social and Governance (ESG) strategy and contribution to the Sustainable Development Goals (SDGs)	***3, 17***
	2-23	Obligations in accordance with policies		I***nternal codes and policies*** ***Ethical behaviour in the workplace*** ***Equality and Respect for Human Rights*** More detailed information regarding the communication and enforcement of policies is outlined in the respective sections of this Annual Report.	***54, 61, 78***
	2-24	Implementation of obligations in accordance with policies		***Internal codes and policies*** ***Ethical behaviour in the workplace*** ***Equality and Respect for Human Rights*** The implementation of obligations in accordance with policies specific to certain functions is described in the respective sections of this Annual Report.	***54, 61, 78***
	2-25	Processes for addressing negative outcomes		***Corporate ethics and compliance*** Interpipe Group has no procedures or policies in place for engaging stakeholders in improving mechanisms for addressing negative outcomes.	***61***
	2-26	Mechanisms for consultation and raising concerns		***Contact info*** Information on feedback channels, including the Group's Single Trust Line, is provided at the end of this Report. Communication on specific topics is covered in the respective sections of the Annual Report.	***200***
	2-27	Compliance with laws and regulations		***Corporate ethics and compliance*** The Group takes measures to prevent violations or non-compliance with laws in the various jurisdictions where its legal entities operate.	***61***
	2-28	Membership in associations		***Overview of Group Business***	***9***

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
	2-29	Approach to stakeholder		***Materiality and stakeholders*** More detailed information on communication and stakeholder engagement on specific topics is provided in the respective sections of this Annual Report.	*113*
	2-30	Collective Agreements		***Employees of the Group and their working conditions***	*70*
THEMATIC INDICATORS					
GRI 3: Significant Topics 2021	3-1	Process for identifying significant topics		***About this Report*** ***Materiality and stakeholders***	*113, 117*
	3-2	List of significant topics		***About this Report*** ***Materiality and stakeholders***	*113, 117*
ECONOMIC INDICATORS					
Economic performance					
GRI 3: Significant Topics 2021	3-3	Approach to management		***About Interpipe*** ***Financial results of the Group***	*7, 41*
GRI 201: Economic Performance 2016	201-1	Created and distributed direct economic value		***Annexes. Financial results of the Group***	*190*
	201-2	Financial impact and other climate-related risks and opportunities		***Indicator is partially disclosed*** ***Air emissions and climate change mitigation*** In 2023, Interpipe Group did not conduct a financial assessment of climate-related risks and opportunities.	*107*
	201-3	Defined benefit obligations		The company responsibly pays employee contributions in accordance with the Law of Ukraine "On compulsory state social insurance contributions." The single contribution rate for payers specified in Article 4 of this Law is set at 22 percent of the base defined by Article 7 of the Law. Group companies adhere to the applicable laws on pension provision and compulsory state pension insurance. The Group's companies are required to contribute to the state pension fund on behalf of individuals who have worked in production areas, in particularly hazardous and particularly difficult working conditions, and who are employed on a full-time basis. This entitles them to retirement benefits under the current legislation. Collective agreements between employees and Group companies also provide for the payment of a one-time reward for employees retiring, rewards for reaching milestone ages, and one-time material assistance to relatives of deceased Group pensioners.	
	201-4	Financial assistance received from the government		Interpipe Group did not receive financial assistance from the government in 2023.	

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
				Market presence	
GRI 3: Significant Topics 2021	3-3	Approach to management		***Business Profile and Key Segments*** ***Employees of the Group and their working conditions***	*19, 70*
GRI 202: Market presence 2016	202-1	Gender-based standard entry-level wage ratio to local minimum wage		***Inclusion and Diversity***	*75*
	202-2	Proportion of senior governing body hired from the local population		***Inclusion and Diversity*** ***Additional Quantitative Indicators: Inclusion and Diversity***	*75, 196*
				Indirect Economic Impacts	
GRI 3: Significant Topics 2021	3-3	Approach to management		***Impact on local community development***	*91*
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure and service investments supported by the company		***Impact on local community development*** In 2023, the Group provided ongoing support to various stakeholder groups, including mobilised employees, hospitals in Dnipro and Dnipropetrovsk region, and invested in creating a technical education ecosystem in Dnipropetrovsk region. After the Kakhovka Hydroelectric Station disaster and subsequent water shortage, Interpipe organised deliveries of technical and drinking water to Nikopol.	*91*
	203-2	Significant indirect economic impacts		***Indicator is not disclosed*** Interpipe Group has no mechanism to track significant indirect economic impacts of its activities.	
				Procurement Practices	
GRI 3: Significant Topics 2021	3-3	Approach to management		***Group Procurement and Supply Chain Management***	*65*
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers		***Group Procurement and Supply Chain Management***	*65*
				Anti-Corruption actions	
GRI 3: Significant Topics 2021	3-3	Approach to management		***Practices of the Corruption Prevention Group***	*62*
GRI 205: Anti-Corruption Actions 2016	205-1	Business Corruption Risk Assessment		***Practices of the Corruption Prevention Group*** Interpipe Group assesses corruption risks, but the number or proportion of operations that underwent such assessment in 2023 was not calculated.	*62*
	205-2	Communication and Training on Anti-Corruption Policies and Procedures		***Practices of the Corruption Prevention Group*** All employees and external business partners are aware of and required to comply with the Group's anti-corruption policies and procedures. No training was conducted in 2023.	*62*
	205-3	Confirmed Cases of Corruption and Actions Taken		***Practices of the Corruption Prevention Group***	*62*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
			Anti-Competitive Behaviour		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Anti-competitive behaviour countermeasures*** Interpipe Group has not established a mechanism for assessing the quality of its anti-competitive behaviour management system.	*64*
GRI 206: Anti-Competitive Behaviour 2016	206-1	Legal actions concerning anti-competitive behaviour, anti-trust, and monopoly practices		***Anti-competitive behaviour countermeasures***	*64*
			Taxes		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Managing taxation issues***	*55*
GRI 207: Taxes 2019	207-1	Approach to taxation		***Managing taxation issues*** Interpipe Group does not have an approved taxation strategy.	*55*
	207-2	Tax governance, control, and risk management		***Managing taxation issues*** The approach to disclosing tax information and the Auditor's Report on the financial statements is included in the Interpipe Holdings Plc 2023	*55*
	207-3	Stakeholder engagement and management of tax-related concerns		***Managing taxation issues*** The Group does not have a mechanism in place for reporting issues and concerns regarding unethical or illegal behaviour and integrity in relation to tax matters.	*55*
	207-4	Reporting by country		***Additional Quantitative Indicators***	*189*
			ENVIRONMENTAL IMPACT INDICATORS		
			Materials		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Materials and waste management***	*99*
GRI 301: Materials 2016	301-1	Quantity and volume of materials used		***Materials and waste management***	*99*
	301-2	Amount of recycled/ reused materials used		***Materials and waste management***	*99*
	301-3	Number of products and packaging materials recovered after use		In 2023, Interpipe Group did not collate and record data on the quantity of products and packaging materials recovered after use.	
			Energy		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Energy consumption and energy efficiency***	*103*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
GRI 302: Energy 2016	302-1	Energy consumption within the company	EM-IS-130a.1	***Energy consumption and energy efficiency***	*103*
	302-2	Energy consumption outside the company		The Group does not currently quantify the amount of energy consumed outside the Group. However, we plan to collect data on this indicator in the future.	
	302-3	Energy intensity of products		The Group does not currently calculate the energy intensity of its products, but plans to implement this process in the future.	
	302-4	Reduced energy consumption		***Energy consumption and energy efficiency*** Due to the gradual restoration and optimisation of production processes during the war, Interpipe Group consumed 22% more energy in 2023 than in 2022.	*103*
	302-5	Reduction of the energy requirements of goods and services		The Group has initiated the collection of data on the energy requirements of goods sold for further processing. We are also working to expand the list of counterparties providing data on this indicator.	
Water resources and wastewater					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Water management practices***	*101*
GRI 303: Water and wastewater 2018	303-1	Management of water as a shared resource		***Water management practices***	*101*
	303-2	Management of impacts arising from wastewater discharges		***Water management practices***	*101*
	303-3	Water extraction	EM-IS-140a.1	***Water management practices***	*101*
	303-4	Waste water discharges		***Water management practices***	*101*
	303-5	Water consumption	EM-IS-140a.1	***Water management practices***	*101*
Biodiversity					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Biodiversity protection***	*103*
GRI 304: Biodiversity 2016	304-1	The company owns, leases or maintains operational sites in (or adjacent to) protected areas with high biodiversity value.		***Biodiversity protection***	*103*
	304-2	Significant impacts of activities, products and services on biodiversity		***Biodiversity protection*** In 2023, there were no discernible impacts of Interpipe Group's activities and products on biodiversity.	*103*
	304-3	Ecosystems protected or restored by the company		In 2023, Interpipe Group did not implement any measures to protect or restore ecosystems.	
	304-4	Species from the IUCN Red List and the Red Book of Ukraine affected by the company's operations		***Biodiversity protection***	*103*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
				Emissions	
GRI 3: Significant Topics 2021	3-3	Approach to management	EM-IS-110a.2	***Air emissions and climate change mitigation***	*106*
GRI 305: Emissions 2016	305-1	Direct Greenhouse Gas Emissions (Scope 1)	EM-IS-110a.1	***Air emissions and climate change mitigation***	*106*
	305-2	Energy indirect greenhouse gas emissions (Scope 2)		***Air emissions and climate change mitigation***	*106*
	305-3	Greenhouse gas (GHG) emissions in the value chain (Scope 3)		***Air emissions and climate change mitigation***	*106*
	305-4	Greenhouse gas emissions per production unit		***Air emissions and climate change mitigation***	*106*
	305-5	Reduction of greenhouse gas emissions		***Air emissions and climate change mitigation***	*106*
	305-6	Emissions of ozone-depleting substances		Interpipe Group does not emit, produce, import or export ozone-depleting substances in the course of its operations.	
	305-7	Emissions of nitrogen oxides (NOx), sulphur oxides (SOx) and other pollutants	EM-IS-120a.1	***Air emissions and climate change mitigation*** Interpipe Group does not carry out any production activities that emit the following substances into the atmosphere: Polyaromatic Hydrocarbons (PAHs), Persistent Organic Pollutants (POPs) and Hazardous Air Pollutants (HAPs).	*106*
				Waste	
GRI 3: Significant Topics 2021	3-3	Approach to management		***Materials and waste management***	*99*
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts		***Materials and waste management***	*99*
	306-2	Management of significant waste-related impacts		***Materials and waste management***	*99*
	306-3	Waste generated	EM-IS-150a.1	***Materials and waste management*** ***Additional Quantitative Indicators: Materials and waste management*** The total amount of waste generated in 2023 was 196,608.63 tonnes, of which 5.21% was hazardous waste (classes I-III).	*99, 198*
	306-4	Waste that was not sent for disposal		***Materials and waste management, Additional quantitative indicators: Materials and waste management***	*99, 198*
	306-5	Waste sent for disposal	EM-IS-150a.1	***Materials and waste management, Additional quantitative indicators: Materials and waste management***	*99, 198*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
		Environmental assessment of suppliers			
GRI 3: Significant Topics 2021	3-3	Approach to management		***Interaction with suppliers***	*68*
GRI 308: Environmental Assessment of Suppliers 2016	308-1	New suppliers screened against environmental criteria		***Interaction with suppliers***	*68*
	308-2	Negative environmental impacts in the supply chain and actions taken		***Interaction with suppliers*** In 2023, we are working to introduce a mechanism to assess suppliers for their environmental impact.	*68*
		SOCIAL INDICATORS			
		Employment			
GRI 3: Significant Topics 2021	3-3	Approach to management		***Employees of the Group***	*70*
GRI 401: Employment 2016	401-1	New hires and employee turnover		***Employees of the Group*** ***Annexes Group employees***	*70, 190*
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.		***Employee support and social assistance***	*74*
	401-3	Parental leave		***Employees of the Group***	*70*
		Employee-management relations			
GRI 3: Significant Topics 2021	3-3	Approach to management		***Employees of the Group and their working conditions***	*70*
GRI 402: Employee-Management Relations 2016	402-1	Minimum notice for operational changes		***Employees of the Group***	*70*
		Occupational health and safety			
GRI 3: Significant Topics 2021	3-3	Approach to management		***Occupational health and safety***	*84*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management systems		***Employee occupational health and safety management***	*84*
	403-2	Hazard identification, risk assessment and incident investigation	EM-IS-320a.1	***Mechanisms for identifying employee health and safety risks***	*85*
	403-3	Occupational health and safety measures		***Creation of safe working conditions***	*85*
	403-4	Employee involvement, consultation and communication on occupational health and safety		***Health and safety training and communication with employees***	*89*
	403-5	Occupational health and safety trainings		***Health and safety training and communication with employees***	*89*
	403-6	Employee health promotion activities		***Medical support for the Group's employees***	*90*
	403-7	Preventing and managing health and safety risks arising from business interactions		***Occupational health and safety***	*84*
	403-8	Employees covered by the occupational health and safety management system		***Occupational health and safety***	*84*
	403-9	Occupational injuries	EM-IS-320a.1	***Occupational health and safety*** All groups of employees are included in the accident records in accordance with the requirements of applicable legislation.	*84*
	403-10	Occupational diseases		***Occupational health and safety***	*84*
Education and training					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Employee career development and training***	*79*
GRI 404: Education and Training 2016	404-1	Average number of training hours per employee per year		***Employee career development and training Annexes***	*197*
	404-2	Employee development and transition programmes (career change or end of career)		***Personnel training programs***	*81*
	404-3	Percentage of employees receiving regular performance appraisals and career development reviews		***Assessment of employee performance and career development***	*83*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
Diversity and equal opportunities					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Inclusion and Diversity***	*75*
GRI 405: Diversity and Equal Opportunities 2016	405-1	Diversity of governing bodies and employees		***Inclusion and Diversity***	*75*
	405-2	Ratio of basic salary and remuneration of women to men		***Inclusion and Diversity***	*75*
Anti-discrimination policy					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Equality and Respect for Human Rights***	*78*
GRI 406: Anti-discrimination policy 2016	406-1	Incidents of discrimination and corrective actions taken		***Equality and Respect for Human Rights***	*78*
Freedom of association and collective bargaining					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Equality and Respect for Human Rights***	*78*
GRI 407: Freedom of association and collective bargaining 2016	407-1	Units and suppliers where the right to freedom of association and collective bargaining may be violated		***Equality and Respect for Human Rights***	*78*
Child labour					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Equality and Respect for Human Rights***	*78*
GRI 408: Child labour 2016	408-1	Units and suppliers with high risk of child labour		No Group entity or supplier was identified as having a significant risk of child labour in 2023.	
Forced labour					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Equality and Respect for Human Rights***	*78*
GRI 409: Forced labour 2016	409-1	Business units and suppliers with a high risk of forced labour		In 2023, no Group entities or suppliers were identified as having a significant risk of forced labour.	

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
			Local communities		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Impact on local community development*** As a result of Russia's military operation in Ukraine, Interpipe Group did not assess the quality of its community relations management system.	*91*
GRI 413: Local communities 2016	413-1	Units with implemented local community engagement programmes, impact assessment programmes and local community development programmes		***Impact on local community development*** Interpipe Group regularly assesses the environmental impact in accordance with current legislation on the regulation and monitoring of emissions from production. The social impact of the Group's activities on individual local communities was not been assessed in 2023.	*91*
	413-2	Units with significant actual or potential negative impacts on local communities		***Impact on local community development*** In 2023, no Group units were identified as having a significant actual or potential risk of negative impacts on local communities.	*91*
			Social assessment of suppliers		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Group Procurement and Supply Chain Management***	*65*
GRI 414: Social assessment of suppliers 2016	414-1	New suppliers assessed by social criteria		***Group Procurement and Supply Chain Management***	*65*
	414-2	Negative social impacts in the supply chain and actions taken		***Group Procurement and Supply Chain Management*** In 2023, no suppliers were assessed for their social impact.	*65*
			Public policy		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Corporate ethics and compliance***	*61*
GRI 415: Public Policy 2016	415-1	Political contributions		Interpipe Group does not interact with political parties and does not interfere in party and political issues, nor does it make political contributions or lobbying	
			Consumer health and safety		
GRI 3: Significant Topics 2021	3-3	Approach to management		***Product Quality and Consumer Protection***	*19*
GRI 416: Consumer health and safety 2016	416-1	Assessment of the impact of goods and services on consumer health and safety		***Product Quality and Consumer Protection*** A separate assessment of the impact of products on consumer health and safety was not carried out in 2023.	*19*
	416-2	Cases of non-compliance of goods and services with the requirements concerning their impact on the health and safety of consumers		***Product Quality and Consumer Protection***	*19*

Essential topic	No.	Indicator	SASB	Section title and comments	Report page
Marketing and labelling					
GRI 3: Significant Topics 2021	3-3	Approach to management		***Business Profile and Key Segments*** ***Product Quality and Consumer Protection***	*19*
GRI 417: Marketing and labelling 2016	417-1	Cases of non-compliance with the rules on information and labelling of goods and services		***Product Quality and Consumer Protection***	*19*
	417-2	Labelling and information requirements for goods and services		***Product Quality and Consumer Protection***	*19*
	417-3	Cases of non-compliance with marketing communications rules		***Product Quality and Consumer Protection***	*19*
Customer privacy					
GRI 3: Significant Topics 2021	3-3	Approach to management		Product Quality and Consumer Protection	*19*
GRI 418: Customer privacy 2016	418-1	Substantiated complaints about breaches of customer confidentiality and loss of customer data		Product Quality and Consumer Protection	*19*

ADDITIONAL QUANTITATIVE INDICATORS

TABLE 23. INFORMATION ON ENTITIES IN TAX JURISDICTIONS OF OTHER COUNTRIES OF THE GROUP IN 2023, USD THOUSAND (ACCORDING TO THE CONSOLIDATED AND LOCAL FINANCIAL STATEMENTS)

Indicator	Interpipe M.E FZE (UAE)	Interpipe Europe SA (Switzerland)	KLW Wheelco SA (Switzerland)	North American Interpipe Inc. (USA)	KLW NORTH AMERICA, INC. (USA)	Interpipe Limited (Cyprus)	KLW Limited (Cyprus)	Interpipe Holdings PLC (Cyprus)	Steel.One (Cyprus)	Interpipe Investments (Cyprus)	IP Niko Tube GmbH (Germany)	Interpipe Central Trade GmbH (Germany)
Main business activities:	Trading	Trading	Trading	Trading	Trading	Sub holding	Sub holding	Parent company	Sub holding	Issuers of securities and redemption commissions	Sub holding	Trading
Number of employees, people:	14	9	3	14	4	0	0	3	0	0	0	3
Income	77,623	323,231	190,717	160,476	11,736	-	-	-	-	-	-	
- from sales to third parties:	73,940	216,311	157,220	159,424	11,736	-	-	-	-	-	-	8,034
- from intra-group transactions with other tax jurisdictions:	3,683	106,920	33,497	1,052	-	-	-	-	-	-	-	-
Pre-tax profit/loss:	1,390	48,081	17,577	-17,525	-181	14,775	5	-51,323	-21,342	-2	2	110
Tangible assets (other than cash and cash equivalents):	248,529	660,466	248,145	210,649	3,362	1,776,498	549,554	1,236,189	374,159	-	6,047	-
Corporate income tax	-	4,501	2,666	-	-	-	1	-	-	-	-	33

TABLE 24. TREND IN THE GROUP'S KEY FINANCIAL INDICATORS AS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS, USD THOUSANDS

Indicator	2021	2022	2023
DIRECT ECONOMIC VALUE IS CREATED:			
Income from sales of products	1,132,900	981,330	988,706
DIRECT ECONOMIC VALUE IS DISTRIBUTED:			
Operational expenses (excluding salaries, bonuses, and benefits)	852,745	712,458	568,849
Employee salaries and benefits, bonuses, etc.	106,151	82,761	85,629
Distributions to equity holders (dividends to shareholders and payments on debt instruments)	253,405	171,486	78,657
State payments (taxes and non-tax payments)	7,063	27,868	48,997
Social investments (local communities, infrastructure, etc.)	2,166	19,892	20,277
Other expenses	2,428	64,797	-
Economic value is maintained:	−91,058	−97,932	186,297

GROUP PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

TABLE 25.

COST OF INTERPIPE GROUP'S PURCHASES IN 2023 BY CATEGORIES OF GOODS AND SERVICES, USD MILLION USD MLN

Categories of goods and services	Cost of purchases
In all categories, including:	484.50
Commodities and materials, and services	150.75
Logistics	85.14
Electricity	84.90
Natural gas	59.44
Scrap metal	104.27

TABLE 26.

NUMBER OF SUPPLIERS OF INTERPIPE GROUP IN 2023, BY PROCUREMENT CATEGORIES

Procurement category	Number of suppliers
Total by procurement category, including:	1,821
Commodities and materials	1,433
Logistics	275
Electricity	15
Scrap metal	98
Electricity	15
Natural gas	2

TABLE 27.

NUMBER OF SUPPLIERS OF INTERPIPE GROUP IN 2023, BY TYPE

Supplier type	Number of suppliers
Total by supplier type, including:	1,821
Manufacturers	734
Transportation companies	275
Dealers	200
Distributors	153
Traders	123
Scrap metal collectors	89
Trading houses	27
Other	220

TABLE 28. NUMBER OF SUPPLIERS OF INTERPIPE GROUP IN 2023, BY REGIONS OF THEIR LOCATION

Country of location of the supplier	***Total by country, including:***	Ukraine	Germany	Italy	Poland	China	Turkey	UAE	Great Britain	Bulgaria	Slovakia	Switzerland	France	Austria	Netherlands	USD mln	Estonia	Czech Republic	Other
Number of suppliers	1,821	1,636	56	20	14	8	7	7	6	5	4	4	3	3	3	3	2	2	38

GROUP EMPLOYEES[2]

TABLE 29. NUMBER OF FULL-TIME EMPLOYEES BY COMPANY AND GENDER (AS OF THE END OF THE YEAR), PEOPLE

Company name	2021			2022			2023		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total in Interpipe Group, including:	10,183	6,320	3,863	9,323	5,922	3401	8,993	5,677	3,316
PJSC Interpipe NTRP	2,315	1,567	748	2,064	1,443	621	2,007	1,382	625
Interpipe NMPP JSC	545	376	169	171	136	35	157	120	37
Interpipe Niko Tube LLC	4,678	2,997	1,681	4,654	3,011	1643	4,604	2,964	1,640
Dneprosteel LLC	582	438	144	593	452	141	575	432	143
Dneprosteel Energo LLC	8	2	6	8	2	6	12	7	5
Transkom Dnepr LLC	62	53	9	57	49	8	55	45	10
Society Dishware Novomoskovsk LTD	717	191	526	620	185	435	555	181	374
Interpipe Dneprovtormet JSC	371	272	99	369	278	91	351	265	86
Meta LLC	15	14	1	0	0	0	0	0	0
Interpipe Management LLC	29	6	23	27	7	20	23	6	17
Interpipe Ukraine LLC	718	311	407	676	301	375	591	232	359
Interpipe Europe SA	11	8	3	12	8	4	13	8	5
KLW-Wheelco SA	3	2	1	4	3	1	4	3	1
North American Interpipe, Inc	14	9	5	13	7	6	14	8	6
Interpipe M.E, a free zone establishment with limited liability	17	12	5	14	10	4	13	9	4
Interpipe Central Trade GmbH	4	3	1	3	2	1	4	3	1
Vallourec Niko Tube LLC	89	57	32	33	26	7	13	10	3
Research and Testing Centre "Yakist" LLC	5	2	3	5	2	3	2	2	0

2 Some 2021-2022 data is not consistent with the 2022 Report. This is due to the fact that in the previous report we did not include the data of the Research and Testing Centre "Yakist" LLC. This information is already included in the 2023 Report.

TABLE 30. NUMBER OF EMPLOYEES BY ENTERPRISE AND GENDER (AVERAGE), PEOPLE

Company name	2021			2022			2023		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Total in Interpipe Group, including:	9,577	6,055	3,522	8,938	5,701	3,237	7,591	4,762	2,829
PJSC Interpipe NTRP	2,579	1,769	810	2,023	1,414	609	1,710	1,149	561
Interpipe NMPP JSC	537	372	165	361	287	74	96	68	28
Interpipe Niko Tube LLC	3,933	2,556	1,377	4,221	2,731	1,490	3,710	2,439	1,271
Dneprosteel LLC	538	417	121	525	400	125	508	382	126
Dneprosteel Energo LLC	8	2	6	8	2	6	9	3	6
Transkom Dnepr LLC	61	52	9	59	51	8	56	47	9
Society Dishware Novomoskovsk LTD	696	200	496	619	185	434	535	160	375
Interpipe Dneprovtormet JSC	349	252	97	355	267	88	315	235	80
Meta LLC	14	13	1	11	9	2	0	0	0
Interpipe Management LLC	27	8	19	27	7	20	22	6	16
Interpipe Ukraine LLC	671	307	364	638	284	354	574	237	337
Interpipe Europe SA	11	8	3	12	8	4	13	8	5
KLW-Wheelco SA	3	2	1	4	3	1	4	3	1
North American Interpipe, Inc	14	9	5	13	7	6	15	9	6
Interpipe M.E, a free zone establishment with limited liability	17	13	4	14	10	4	13	9	4
Interpipe Central Trade GmbH	4	3	1	3	2	1	4	3	1
Vallourec Niko Tube LLC	110	70	40	40	32	8	3	2	1
Research and Testing Centre "Yakist" LLC	5	2	3	5	2	3	4	2	2

TABLE 31. NUMBER OF FULL-TIME EMPLOYEES BY COMPANY AND AGE GROUP (AS OF THE END OF THE YEAR), PEOPLE

Company name	2021				2022				2023			
	Total	under 30	30-50	over 50	Total	under 30	30-50	over 50	Total	under 30	30-50	over 50
Total in Interpipe Group, including:	10,183	1,199	6,093	2,891	9,323	947	5,669	2,707	8,993	877	5,346	2,770
PJSC Interpipe NTRP	2,315	257	1,323	735	2,064	205	1,188	671	2,007	192	1,117	698
Interpipe NMPP JSC	545	37	247	261	171	17	103	51	157	12	90	55
Interpipe Niko Tube LLC	4,678	566	2,911	1,201	4,654	458	2,894	1,302	4,604	428	2,819	1,357
Dneprosteel LLC	582	95	414	73	593	84	430	79	575	73	416	86
Dneprosteel Energo LLC	8	0	5	3	8	0	4	4	12	2	4	6
Transkom Dnepr LLC	62	2	21	39	57	2	18	37	55	0	20	35
Society Dishware Novomoskovsk LTD	717	71	354	292	620	50	303	267	555	44	246	265
Interpipe Dneprovtormet JSC	371	43	209	119	369	22	208	139	351	28	190	133
Meta LLC	15	0	9	6	0	0	0	0	0	0	0	0
Interpipe Management LLC	29	6	20	3	27	6	17	4	23	5	14	4
Interpipe Ukraine LLC	718	98	486	134	676	89	447	140	591	87	385	119
Interpipe Europe SA	11	0	10	1	12	0	10	2	13	0	11	2
KLW-Wheelco SA	3	0	2	1	4	0	3	1	4	0	3	1
North American Interpipe, Inc	14	1	9	4	13	3	8	2	14	2	7	5
Interpipe M.E, a free zone establishment with limited liability	17	2	13	2	14	2	10	2	13	1	11	1
Interpipe Central Trade GmbH	4	0	3	1	3	0	2	1	4	0	3	1
Vallourec Niko Tube LLC	89	20	56	13	33	8	23	2	13	3	9	1
Research and Testing Centre "Yakist" LLC	5	1	1	3	5	1	1	3	2	0	1	1

TABLE 32. NUMBER OF FULL-TIME EMPLOYEES BY COMPANIES AND AGE GROUPS (AVERAGE), PEOPLE

Company name	2021				2022				2023			
	Total	under 30	30-50	over 50	Total	under 30	30-50	over 50	Total	under 30	30-50	over 50
Total in Interpipe Group	9,577	1,135	5,680	2,762	8,938	905	5,420	2,613	7,591	602	4,460	2,529
PJSC Interpipe NTRP	2,579	308	1,396	875	2,023	201	1,164	658	1,710	122	937	651
Interpipe NMPP JSC	537	37	256	244	361	36	217	108	96	1	59	36
Interpipe Niko Tube LLC	3,933	476	2,447	1,010	4,221	415	2,625	1,181	3,710	283	2,223	1,204
Dneprosteel LLC	538	87	386	65	525	74	381	70	508	64	374	70
Dneprosteel Energo LLC	8	0	6	2	8	0	4	4	9	0	5	4
Transkom Dnepr LLC	61	1	25	35	59	2	19	38	56	1	19	36
Society Dishware Novomoskovsk LTD	696	74	362	260	619	50	303	266	535	30	246	259
Interpipe Dneprovtormet JSC	349	44	200	105	355	21	200	134	315	16	172	127
Meta LLC	14	0	9	5	11	0	6	5	0	0	0	0
Interpipe Management LLC	27	6	18	3	27	6	17	4	22	5	14	3
Interpipe Ukraine LLC	671	74	466	131	638	84	422	132	574	76	373	125
Interpipe Europe SA	11	0	11	0	12	0	10	2	13	0	11	2
Klw-Wheelco SA	3	0	2	1	4	0	3	1	4	0	3	1
North American Interpipe, Inc	14	0	10	4	13	3	8	2	15	3	6	6
Interpipe M.E, a free zone establishment with limited liability	17	2	13	2	14	2	10	2	13	0	11	2
Interpipe Central Trade GmbH	4	0	3	1	3	0	2	1	4	0	3	1
Vallourec Niko Tube LLC	110	25	69	16	40	10	28	2	3	0	3	0
Research and Testing Centre "Yakist" LLC	5	1	1	3	5	1	1	3	4	1	1	2

TABLE 33. NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT, GENDER AND REGION (AS OF THE END OF THE YEAR), PEOPLE

Type of employment contract	Total number of employees, including:			Permanent employment contract			Temporary employment contract		
Year	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total	10,183	9,323	8,993	9,920	9,049	8,648	263	274	345
By gender									
Men	6,320	5,922	5,677	6,180	5,748	5,442	140	174	235
Women	3,863	3,401	3,316	3,740	3,301	3,206	123	100	110
By regions									
Ukraine, including:	10,134	9,277	8,945	9,871	9,003	8,600	263	274	345
Head office (Dnipro)	817	768	681	761	749	660	56	19	21
Dnipro	5,312	5,153	4,907	5,201	5,041	4,736	111	112	171
Nikopol	2,728	2,565	2,645	2,644	2,441	2,515	84	124	130
Novomoskovsk	1,262	791	712	1,250	772	689	12	19	23
Kharkiv	15	0	0	15	0	0	0	0	0
Europe	18	19	21	18	19	21	0	0	0
USA	14	13	14	14	13	14	0	0	0
Middle East and Asia	17	14	13	17	14	13	0	0	0

TABLE 34. NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT, GENDER AND REGION (AVERAGE), PEOPLE

Type of employment contract	Total number of employees, including:			Permanent employment contract			Temporary employment contract		
Year	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total	9,577	8,938	7,591	9,329	8,677	7,286	248	261	305
By gender									
Men	6,055	5,701	4,762	5,881	5,535	4,547	138	166	215
Women	3,522	3,237	2,829	3,448	3,142	2,739	110	95	90
By regions									
Ukraine	9,531	8,895	7,542	9,283	8,634	7,237	248	261	305
Head office (Dnipro)	761	729	661	708	711	640	53	18	21
Dnipro	5,003	4,948	4,327	4,898	4,841	4,176	105	107	151
Nikopol	2,566	2,460	1,923	2,487	2,342	1,817	79	118	106
Novomoskovsk	1187	758	631	1,176	740	604	11	18	27
Kharkiv	14	0	0	14	0	0	0	0	0
Europe	17	18	21	17	18	21	0	0	0
USA	13	12	15	13	12	15	0	0	0
Middle East and Asia	16	13	13	16	13	13	0	0	0

TABLE 35. NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT, GENDER AND REGION (AS OF THE END OF THE YEAR), PEOPLE

Indicator	Total number of employees, including:			Full time			Part time		
Year	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total	10,183	9,323	8993	10,072	9,239	8,918	111	84	75
By gender									
Men	6320	5,922	5677	6,269	5,885	5,645	51	37	32
Women	3863	3,401	3316	3,803	3,354	3,273	60	47	43
By regions									
Ukraine	10,134	9,277	8,945	10,023	9,193	8,870	111	84	75
Head office (Dnipro)	817	768	681	807	760	665	10	8	16
Dnipro	5,312	5,153	4,907	5,227	5,091	4,851	85	62	56
Nikopol	2,728	2,565	2,645	2,719	2,562	2,645	9	3	0
Novomoskovsk	1,262	791	712	1,256	780	709	6	11	3
Kharkiv	15	0	0	14	0	0	1	0	0
Europe	18	19	21	18	19	21	0	0	0
USA	14	13	14	14	13	14	0	0	0
Middle East and Asia	17	14	13	17	14	13	0	0	0

TABLE 36. NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT, GENDER AND REGION (AVERAGE), PEOPLE

Indicator	Total number of employees, including:			Full time			Part time		
Year	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total	9,577	8,938	7,591	9,466	8,846	7,489	111	92	102
By gender									
Men	6,055	5,701	4,762	6,004	5,661	4,710	51	40	52
Women	3,522	3,237	2,829	3,462	3,185	2,779	60	52	50
By regions									
Ukraine	9,531	8,895	7,542	9,420	8,803	7,440	111	92	102
Head office (Dnipro)	761	729	661	751	721	634	10	8	27
Dnipro	5,003	4,949	4,327	4,917	4,878	4,264	86	71	63
Nikopol	2,566	2,459	1,923	2,557	2,456	1,918	9	3	5
Novomoskovsk	1,187	758	631	1,181	748	624	6	10	7
Kharkiv	14	0	0	14	0	0	0	0	0
Europe	17	18	21	17	18	21	0	0	0
USA	13	12	15	13	12	15	0	0	0
Middle East and Asia	16	13	13	16	13	13	0	0	0

TABLE 37. NUMBER OF EMPLOYEES HIRED AND DISMISSED BY AGE, GENDER AND REGION, PEOPLE

Indicator	Number of new employees hired			Number of employees dismissed			of them were dismissed at their own request		
Year	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total, including:	2,346	821	1,025	1,860	1,597	1,360	1,196	668	818
By gender									
men	1,559	626	671	1,241	963	902	800	398	509
women	787	195	354	619	634	458	396	270	309
By age									
under 30	674	203	275	441	281	213	273	138	138
30-50	1,306	488	530	1,033	788	760	669	336	420
over 50	366	130	220	386	528	387	254	194	260
By regions									
Ukraine	2,330	810	1,020	1,857	1,582	1,356	1,193	653	814
Head office (Dnipro)	138	61	102	158	101	212	81	62	54
Dnipro	1,256	503	533	911	657	790	628	359	537
Nikopol	737	193	302	496	385	200	273	134	88
Novomoskovsk	198	53	83	291	424	154	210	97	135
Kharkiv	1	0	0	1	15	0	1	1	0
Europe	8	1	1	0	1	0	0	1	0
USA	5	7	3	2	8	2	2	8	2
Middle East and Asia	3	3	1	1	6	2	1	6	2

TABLE 38. TURNOVER RATE BY GENDER, AGE AND REGION,%.

Indicator	Employee turnover rate		
Year	2021	2022	2023
Total, including:	19,42%	17,87%	17,92%
By gender			
men	20,50%	16,89%	18,94%
women	17,58%	19,59%	16,19%
By age			
under 30	38,85%	31,05%	35,38%
30-50	18,19%	14,54%	17,04%
over 50	13,98%	20,21%	15,30%
By regions			
Ukraine	19,48%	17,79%	17,98%
Head office (Dnipro)	20,76%	13,85%	32,07%
Dnipro	18,21%	13,28%	18,26%
Nikopol	19,33%	15,66%	10,40%
Novomoskovsk	24,52%	55,94%	24,41%
Kharkiv	7,14%	0.00%	0.00%
Europe	0.00%	5.56%	0.00%
USA	15.38%	66.67%	13.33%
Middle East and Asia	6.25%	46.15%	15.38%

INCLUSION AND DIVERSITY

TABLE 39. NUMBER OF EMPLOYEES BY GENDER, AGE AND CATEGORY AS OF THE END OF THE YEAR

Category	Number of Group employees, including:			Management									Other employees		
				Top management team			Middle management team			Lower management team					
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total, including:	10,183	9,323	8,993	86	73	75	233	221	195	554	554	545	9,310	8,475	8,178
BY GENDER:															
Men	6,320	5,922	5,677	66	57	59	159	143	117	452	338	455	5,643	5,384	5,046
Women	3,863	3,401	3,316	20	16	16	74	78	78	102	216	90	3,667	3,091	3,132
BY AGE:															
Under 30	1,199	947	877	1	1	1	4	4	5	24	25	22	1,170	917	849
30-50	6,093	5,669	5,346	65	50	54	160	161	138	425	424	416	5,443	5,034	4,738
Over 50	2,891	2,707	2,770	20	22	20	69	56	52	105	105	107	2,697	2,524	2,591

TABLE 40. AVERAGE NUMBER OF EMPLOYEES BY GENDER, AGE AND CATEGORY

Category	Number of Group employees, including:			Management									Other employees		
				Top management team			Middle management team			Lower management team					
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Total, including:	9,577	8,938	7,591	80	71	69	221	224	176	518	529	461	8758	8,114	6,885
By gender:															
Men	6,055	5,701	4,762	62	55	54	151	146	106	424	322	382	5,418	5,178	4,220
Women	3,522	3,237	2,829	18	16	15	70	78	70	94	207	79	3,340	2,936	2,665
By age:															
Under 30	1,135	905	602	0	0	0	5	5	3	23	26	15	1,107	874	584
30-50	5,680	5,420	4,460	62	49	48	151	163	124	396	402	346	5,071	4,806	3,942
Over 50	2,762	2,613	2,529	18	22	21	65	56	49	99	101	100	2,580	2,434	2,359

TABLE 41. STRUCTURE OF THE NUMBER OF EMPLOYEES BY GENDER, AGE AND CATEGORY AS OF THE END OF THE YEAR

Category	Proportion of the Group's employees,			Management									Other employees		
				including:			Top management team			Middle management team					
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
By gender:															
Men	62%	64%	63%	77%	78%	79%	68%	65%	60%	82%	61%	83%	61%	64%	62%
Women	38%	36%	37%	23%	22%	21%	32%	35%	40%	18%	39%	17%	39%	36%	38%
By age:															
Under 30	12%	10%	10%	1%	1%	1%	2%	2%	3%	4%	5%	4%	13%	11%	10%
30-50	60%	61%	59%	76%	68%	72%	69%	73%	71%	77%	77%	76%	58%	59%	58%
Over 50	28%	29%	31%	23%	30%	27%	30%	25%	27%	19%	19%	20%	29%	30%	32%

TABLE 42. REPRESENTATIVES OF THE CORPORATE MANAGEMENT BODIES OF PJSC INTERPIPE NTRP, JSC INTERPIPE NTRP, INTERPIPE NIKO TUBE LLC, DNIPROSTAL STEEL WORKS LLC, SOCIETY DISHWARE NOVOMOSKOVSK LTD, AND JSC INTERPIPE DNEPROVTORMET), RESEARCH AND TESTING CENTRE "YAKIST" LLC, BY GENDER AND AGE AS OF THE END OF THE YEAR

Total in Interpipe Group		Total, including:	By gender:		Gender structure, %		By age:			Age structure, %		
			Men	Women	Men	Women	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Total, including:	2021	61	47	14	77**%**	23**%**	**-**	39	22	**-**	64**%**	36**%**
	2022	61	48	13	79**%**	21**%**	**-**	35	26	**-**	57**%**	43**%**
	2023	59	46	13	78**%**	22**%**	**-**	34	25	**-**	58**%**	42**%**
Management	2021	37	28	9	76%	24%	-	21	16	-	57%	43%
	2022	38	30	8	79%	21%	-	22	16	-	58%	42%
	2023	37	29	8	78%	22%	-	23	14	-	62%	38%
Supervisory Board	2021	24	19	5	79%	21%	-	18	6	-	75%	25%
	2022	23	18	5	78%	22%	-	13	10	-	57%	43%
	2023	22	17	5	77%	23%	-	11	11	-	50%	50%

TABLE 43. NUMBER OF EMPLOYEES WITH DISABILITIES BY DISABILITY GROUP AT INTERPIPE GROUP AS OF THE END OF THE YEAR

Group Company	2021				2022				2023			
	Total	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3
Total in the Group	400	7	64	329	338	4	50	284	322	3	49	270
Vallourec Niko Tube LLC	89	2	18	69	76	1	19	56	79	2	15	62
PJSC Interpipe NTRP	24	0	4	20	7	0	1	6	6	0	0	6
Interpipe NMPP JSC	182	5	22	155	166	3	18	145	148	1	17	130
Interpipe Niko Tube LLC	25	0	4	21	21	0	3	18	23	0	2	21
Dneprosteel LLC	0	0	0	0	0	0	0	0	4	0	3	1
Dneprosteel Energo LLC	3	0	1	2	2	0	1	1	3	0	1	2
Transkom Dnepr LLC	0	0	0	0	0	0	0	0	0	0	0	0
Society Dishware Novomoskovsk LTD	29	0	3	26	24	0	2	22	23	0	4	19
Interpipe Dneprovtormet JSC	16	0	2	14	14	0	1	13	13	0	2	11
Meta LLC	1	0	0	1	0	0	0	0	0	0	0	0
Interpipe Management LLC	1	0	1	0	1	0	1	0	1	0	1	0
Interpipe Ukraine LLC	27	0	8	19	26	0	3	23	22	0	4	18

TABLE 44. PROPORTION OF TOP MANAGEMENT OF INTERPIPE GROUP **HIRED FROM THE LOCAL COMMUNITY**

Indicator	2021	2022	2023
Proportion of top management who are citizens of Ukraine	95,95%	98,36%	100%
Proportion of top management who are representatives of local communities	4,05%	4,92%	4,76%

EMPLOYEE CAREER DEVELOPMENT AND TRAINING

TABLE 45. AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE PER YEAR[3]

Employee categories	Gender	Total number of employees (8,863 people)			Total number of training hours			Total number of employees who completed the training			Average number of training hours per employee		
		2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
All the employees, including:	***Total, including:***	9,955	9,174	8,863	1,524,943	943,360	829,002	5,977	3,809	4,409	153	103	94
	men	6,158	5,813	5,582	1,084,718	648,245	648,827	4,351	2,876	3,283	176	112	116
	women	3,797	3,361	3,281	440,225	295,115	180,175	1,626	933	1,126	116	88	55
Category 1 (workers)	***Total, including:***	7,504	6,836	6,595	1,494,417	920,041	804,727	4,247	2,859	3,376	199	135	122
	men	4,882	4,580	4,422	1,066,855	633,319	630,517	3,197	2,259	2,570	219	138	143
	women	2,622	2,256	2,173	427,562	286,722	1,742,101	1,050	600	806	163	127	80
Category 2 (managers, specialists, and clerks)	***Total, including:***	2,451	2,338	2,268	30,526	23,319	24,275	1,730	950	1,033	12	10	11
	men	1,276	1,233	1,160	17,863	14,926	18,311	1,154	617	713	14	12	16
	women	1,175	1,105	1,108	12,663	8,393	5964	576	333	320	11	8	5

TABLE 46. NUMBER OF EMPLOYEES RECEIVING REGULAR PERFORMANCE **REVIEWS IN 2023**[4]

Employee categories	Gender	Total number of employees	Number of employees receiving regular performance reviews	Percentage of the total number of employees
All the employees, including:	***Total, including:***	8,863	7,316	83**%**
	men	5,582	5,088	91%
	women	3,281	2,228	68%
Workers	***Total, including:***	6,595	6,231	94**%**
	men	4,422	4,200	95%
	women	2,173	2,031	93%
Managers, specialists, and clerks	***Total, including:***	2,268	1,085	48**%**
	men	1,160	888	77%
	women	1,108	197	18%

3 The data set includes information received from the following entities: Interpipe Management LLC, Public Joint Stock Company “Interpipe Nizhnedneprovsky Tube Rolling Plant” (PJSC Interpipe NTRP), Limited Liability Company “Interpipe Niko Tube” (Interpipe Niko Tube LLC), Dniprostal Steel Works LLC, Joint Stock Company “Interpipe Dneprovtormet” (JSC Interpipe Dneprovtormet), Joint Stock Company “Interpipe Novomoskovsk Pipe Production Plant” (JSC Interpipe NMPP), and Society Dishware Novomoskovsk LTD.

4 The following companies are not included in this Report: Vallourec Niko Tube LLC, Dneprosteel Energo LLC, Transkom Dnepr LLC, Limestone Factory LLC, Research and Testing Centre “Yakist” LLC, Interpipe Europe SA, Klw-Wheelco SA, North American Interpipe, Inc, Interpipe M.E., a free zone establishment with limited liability, Interpipe Central Trade GmbH.

MATERIALS AND WASTE MANAGEMENT

TABLE 47. AMOUNT OF WASTE FROM INTERPIPE GROUP'S PRODUCTION SITES THAT WAS SENT FOR DISPOSAL, METRIC TONNES

Waste sent for disposal	2021		2022		2023	
	On the territory of the Group's companies	Outside the territory of the Group's companies	On the territory of the Group's companies	Outside the territory of the Group's companies	On the territory of the Group's companies	Outside the territory of the Group's companies
Class I (extremely hazardous)	–	3.90	–	2.73	-	1.63
Class II (highly hazardous)	–	4.66	–	0.49	2.50	1.40
Class III (moderately hazardous)	–	2,387.01	–	1,028.46	2.20	6,311.19
Class IV (low hazardous)	632.25	85,293.36	14.41	54,535.59	2,227.49	16,487.37

TABLE 48. AMOUNT OF WASTE FROM INTERPIPE GROUP'S PRODUCTION SITES THAT WAS SENT FOR REMOVAL, METRIC TONNES

Waste sent for removal	2021		2022		2023	
	On the territory of the Group's companies	Outside the territory of the Group's companies	On the territory of the Group's companies	Outside the territory of the Group's companies	On the territory of the Group's companies	Outside the territory of the Group's companies
Class I (extremely hazardous)	–	–	–	–	–	–
Class II (highly hazardous)	–	–	–	–	–	–
Class III (moderately hazardous)	116.07	5,459.12	–	1,261.33	–	2,455.37
Class IV (low hazardous)	175,574.13	15,578.89	129,926.66	9,838.96	129,134.25	11,888.22

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