The first 3 months 2022 Operational and Financial Overview

INTERPIPE

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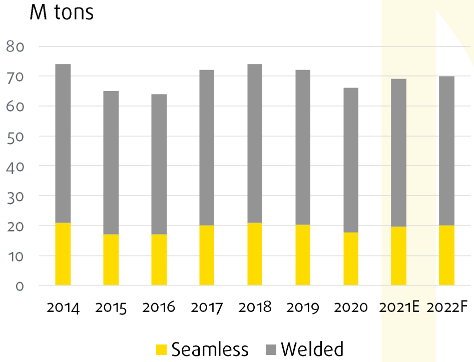
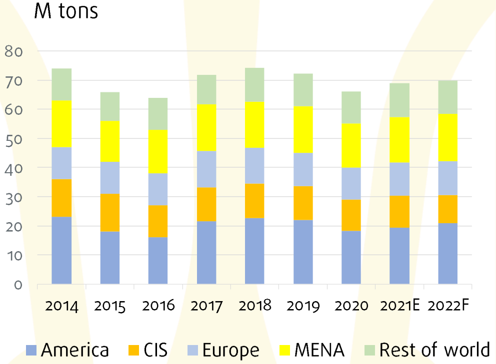
Pipe market

- **USA:** OCTG demand continued growing on the back of rising oil and gas prices and associated drilling activity – the U.S. rig count grew by 71 rigs q-o-q in Q1 2022 and by 241 y-o-y
- In March 2022, WTI oil price was the highest since 2014, mainly due to doomed geopolitical scene. The outlook for crude oil remains constructive amid tight market conditions and is subject to China's lockdown progress and EU actions aimed at banning Russian oil
- Pipe prices in North America also reached their record levels with upward expectations until the year end. With section 232 tariffs temporary lift-off for Ukraine, the market presents solid opportunities for sales growth
- **MENA:** construction sector outlook has been improved in 2022 amid surge in oil revenues and lift of COVID measures, however, the war in Ukraine may delay spending decisions. Saudi Arabia leads GCC[2] in construction taking a lion share in region's planned future projects
- MENA rig count has been gradually rising since mid-2021 with +32 rigs y-o-y in Q1 2022. Oil production is expected to grow over the year driven by high oil prices and tightening sanctions against Russia
- **Europe** economy is set to show moderate growth in 2022, although at slower rate than expected before February 24, 2022. Demand from oil & gas, and construction sectors is said to be strong. EU agreed to suspend anti-dumping measures on Ukraine steel imports for one year, canceling existing quotas and duties
- **Ukraine:** a part of mechanical engineering companies were forced to halt their operations amid proximity to the war front. Overall, market is stagnating due to the military actions and related economic crisis; and given that almost all construction projects were stopped. OCTG demand is mostly maintained by drilling activity of state companies aimed at supporting the industry and filling the gas reserves

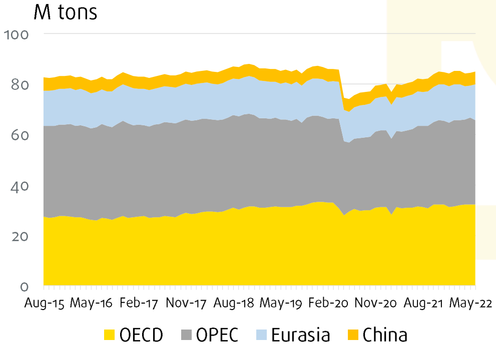
Pipe market by products[1]



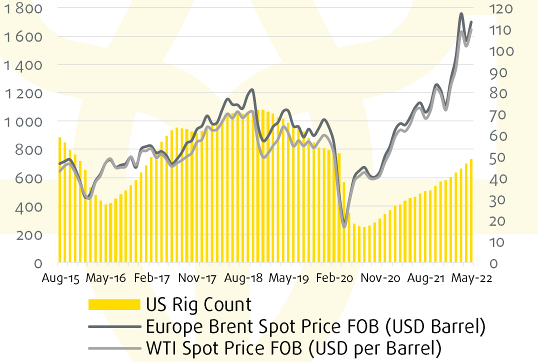
Pipe market by regions[1]



Crude oil production



Crude oil price and rig count



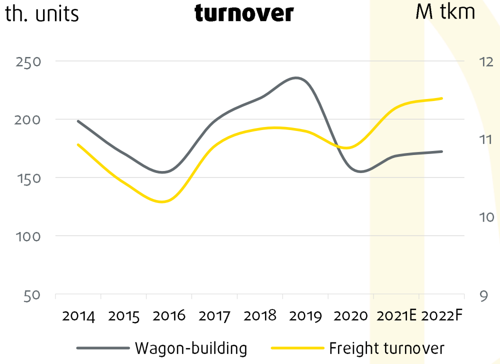
1. Excluding China. 2021 forecasts are as per the management's projections
2. Gulf Cooperation Council which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates

Railway product market

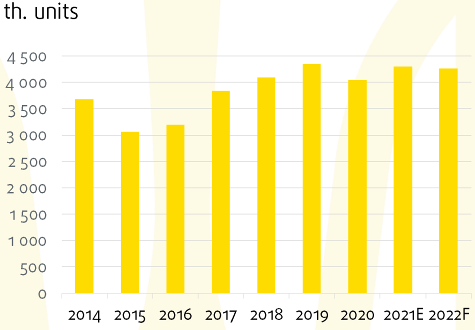
- Amid the Russian invasion of Ukraine railway product market is faced with unpredicted obstacles, great uncertainty and risk of imbalance in some markets that are relying on Ukrainian imports
- **Ukraine:** the wagon building industry demonstrated a strong growth during Q4 2021 with 1037 freight cars built between October and December 2021. the start of 2022 year was also promising in terms of production as the rolling stock renewal program was launched, helping wagon builders to secure long-term orders. Further outlook, however, is doomed due to the military actions and damages done to production capacities
- Freight loading also showed a positive dynamic in January – February 2022, then plummeted by 68% y-o-y in March
- **CIS:** imposition of sanctions on the Russian Federation and Belarus by the US, EU and other leading countries creates gloomy prospects for further development and global attractiveness of the market
- **Europe**: with Covid-19 on a retreat, rail freight and passenger traffic just started getting closer to pre-pandemic level. However, the effects of the crisis can still be seen as there were 25% less passengers in March 2022 compared to before the pandemic

  Rail freight volumes had bounced back more than passenger but were still 10% below levels of March 2019. Freight volumes almost reached pre-crisis levels in December, but then dropped again in March
- Growth of **North American** freight railcar orders reflect a favorable market for the US railcar manufacturers. In Q1 2022 orders experienced a two-fold increase compared to the same quarter last year (up to ca. 13 thousand railcars) and backlog of orders grew by 33% y-o-y

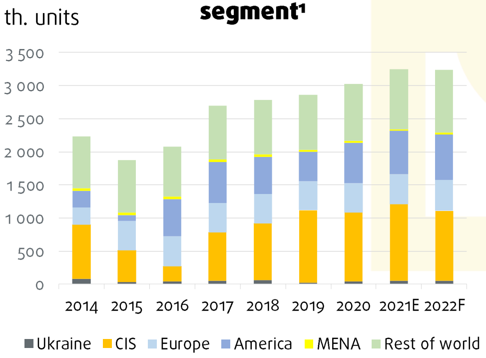
Global markets' wagon building and freight turnover



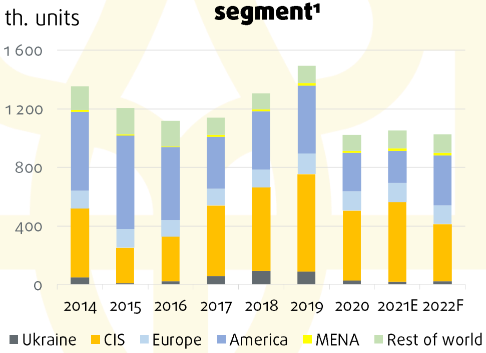
Railway wheel market[1]



Railway wheels for after-market segment[1]



Railway wheels for wagon-building segment[1]

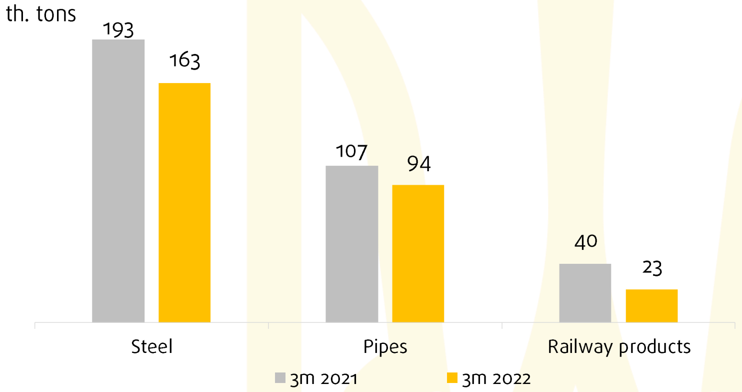


1. Excluding China. 2021 forecasts are as per the management's projections

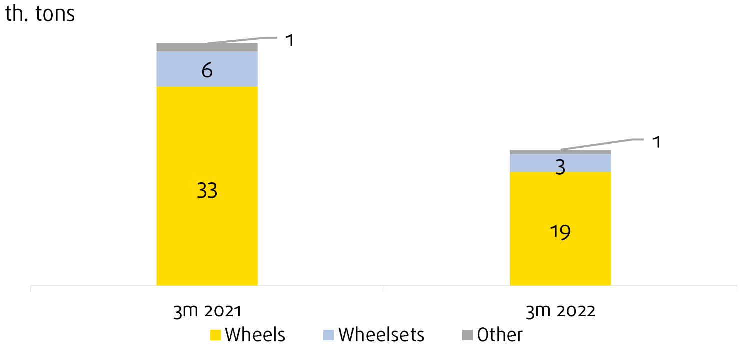
Operational results

- Russian open invasion of Ukraine (started on February 24, 2022) was the key driver of deterioration of production dynamics in Q1 2022 as the Company had to suspend fully production at key facilities in Ukraine until beginning of April
- This resulted in contraction of overall pipe production by 12% y-o-y and railway product by 44% y-o-y in Q1 2022
- At the same time, on the back of booming markets worldwide and at expense of strong production in the first 2 months 2022 OCTG production still grew by 12% y-o-y
- 16% y-o-y decline in steel production in Q1 2022 was a weighted result of production dynamics both for pipes and railway products

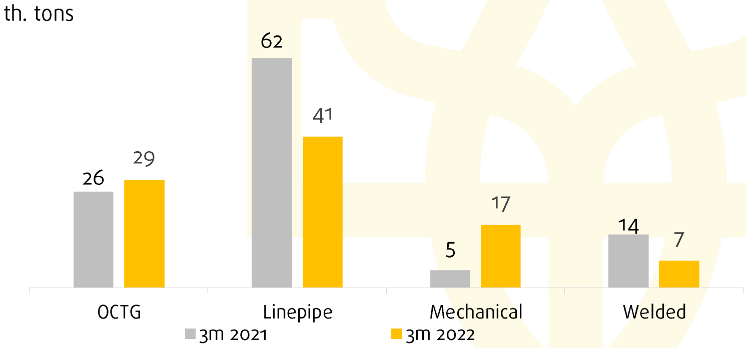
Production dynamics



Railway product production dynamics by type



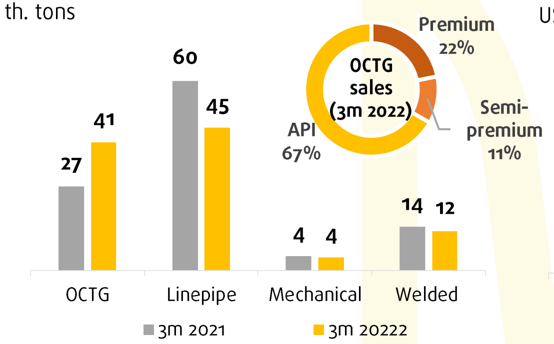
Pipe production dynamics by type



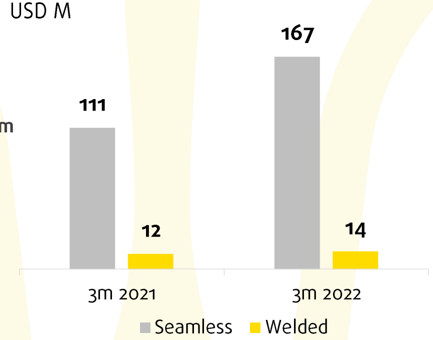
Pipe segment: Sales portfolio

- In Q1 2022, overall pipe sales were primarily and drastically affected by the Russian invasion of Ukraine and further blockade of common export logistics channels by sea.
- At the same time, sales in Q1 2022 declined just by 2% y-o-y amid fruitful business activity before February 24, 2022 and the fact that most of sales to the US and partially in Europe were built up by the shipments held in Q4 2022 and stock available outside Ukraine and in transit on the date
- **OCTG** sales volumes hiked by 53% y-o-y driven by increased demand fueled by high drilling activity and oil prices. The share of premium OCTG products grew up to 1/3 of the total OCTG portfolio
- **Linepipe:** sales volumes contracted by 25% y-o-y largely due to drop in sales in Europe and MENA regions amid war-caused production and sales constraints
- **Domestic** sales rose by 14% y-o-y. However, they were negatively affected by the start of military actions except for domestic OCTG sales still were up by 65% y-o-y in Q1 2022
- Sales to the **Europe** shrank by 24% y-o-y, with the largest drop in linepipe sales (-33% y-o-y) following limited accessibility of export routes and shortage of transport vehicles after February 24, 2022
- Sales to the **MENA** also contracted - by 41% y-o-y. Pipe prices in the region were not so attractive as e.g. in the US – hence, it was given a preference to larger sales to the latter on the back of the limited overall export logistics capacity following the blockade of Ukrainian sea ports
- In Q1 2022, sales to **America** surged by 179% y-o-y, largely driven by OCTG sales to the US which grew over 2 times y-o-y. Linepipe sales also doubled y-o-y

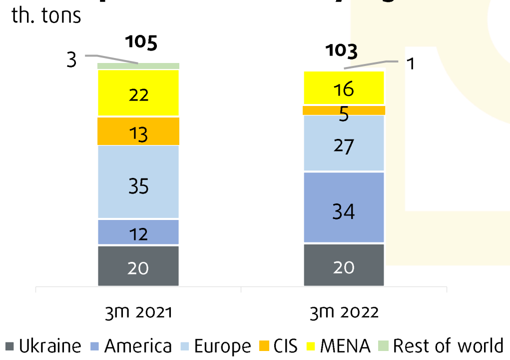
Pipe sales volumes by production type



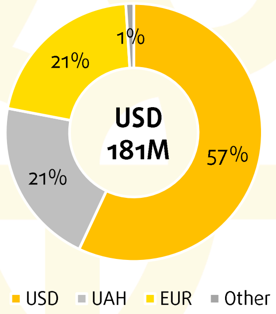
Pipe revenue by product type



Pipe sales volumes by region

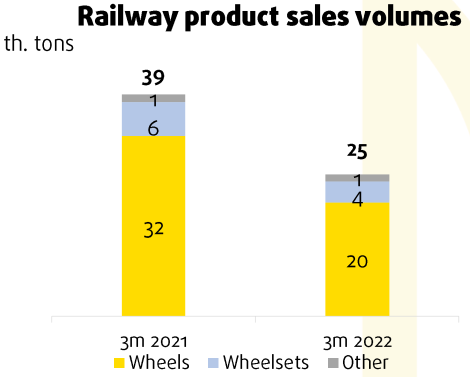


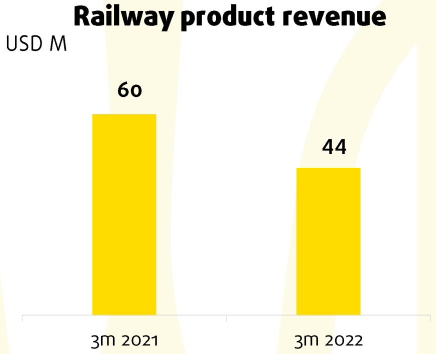
Pipe revenue by currency

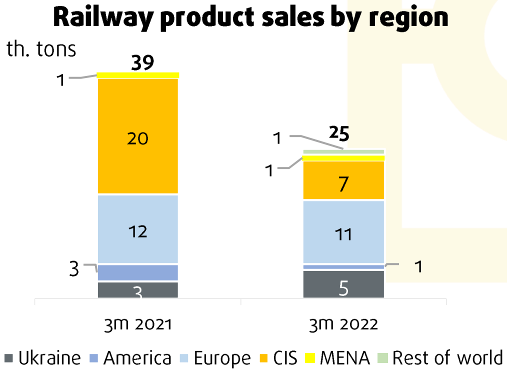


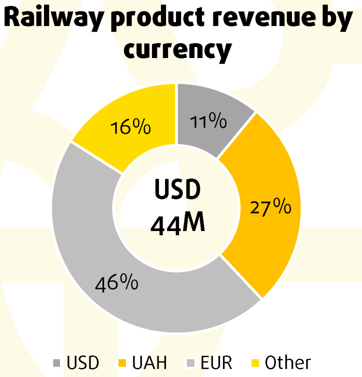
Railway product segment: Sales portfolio

- In Q1 2022, railway product sales slumped by 35% y-o-y being more adversely affected by the start of the war in comparison of pipe sales as there were less finished goods outside Ukraine or in transit (i.e. investments in WC for the railway product business have been conventionally lower than for the pipe one). This resulted in a 74% y-o-y drop in sales in March 2022 standalone
- In Q1 2022, sales to the **domestic market** had been enjoying an 89% growth y-o-y, spurred by sufficient orders for new rail cars production in the first 2 months 2022. However, the situation has turned around drastically since the end of February
- Sales to the **CIS** countries shrank in Q1 2022 by 66% y-o-y. Deliveries of finished products to the region (especially to the CU) were either blocked or extremely constrained by disrupted logistic chains or sanctions imposed on Belarus. The share of the CIS region in the total sales, usually dominant, fell to 27% compared with 51% in Q1 2021, and will be likely descending going forward
- Sales to **Europe** also slid by 14% y-o-y, but share of the region in the total sales grew to 42%, making it the largest market for railway product sales
- Given the elongated logistic shoulder to **America** and, hence, higher freight rates sales to the region contracted by 79% y-o-y in Q1 2022



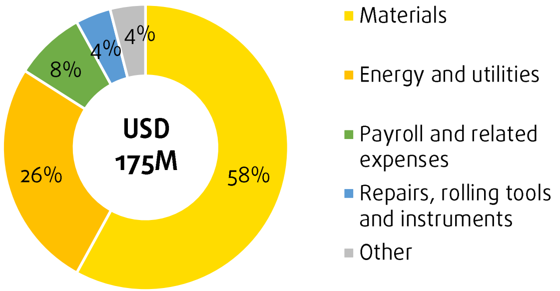




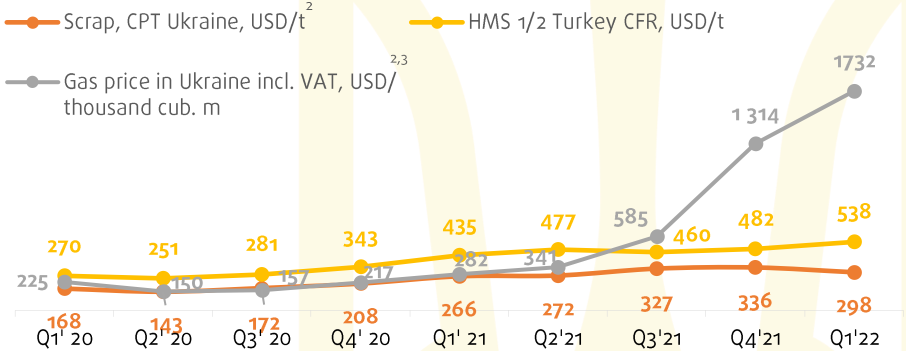


Cost structure for the first 3 months 2022

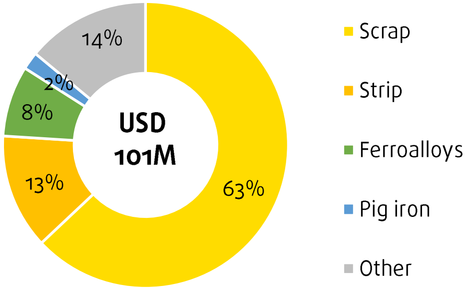
Cost of Sales breakdown[1]



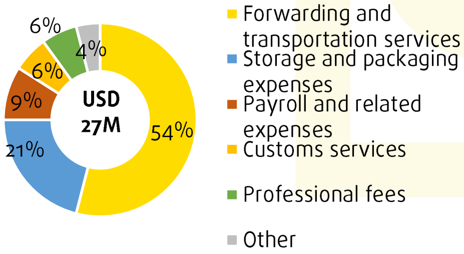
Evolution of prices for scrap and natural gas



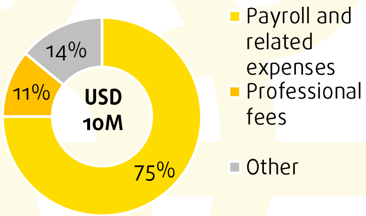
Materials breakdown



Selling & Distribution costs[1]

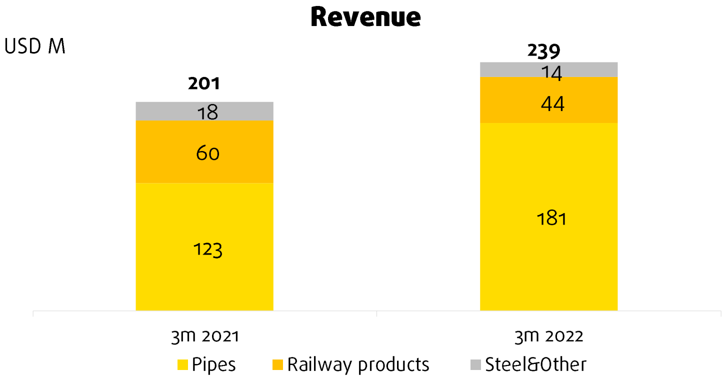


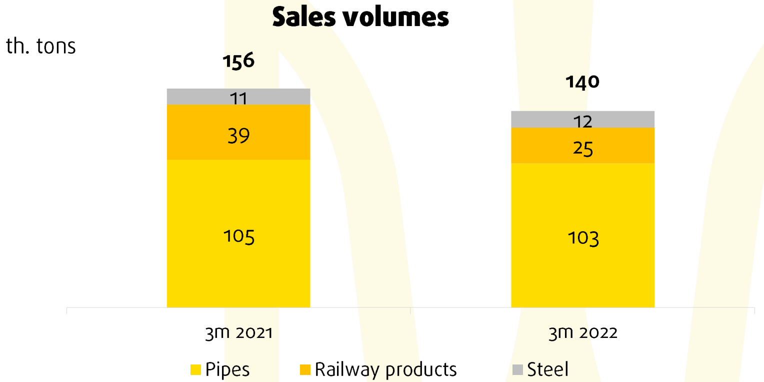
General & Administrative costs[1]

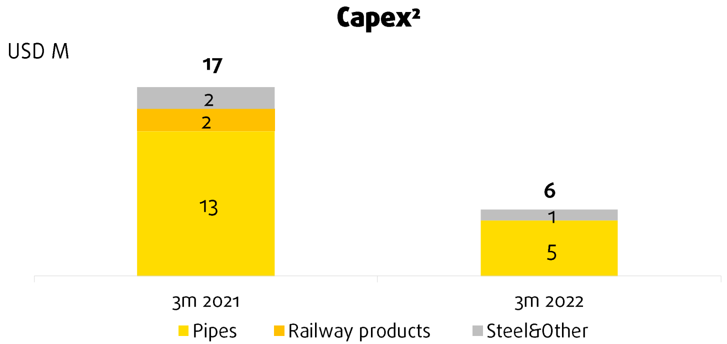


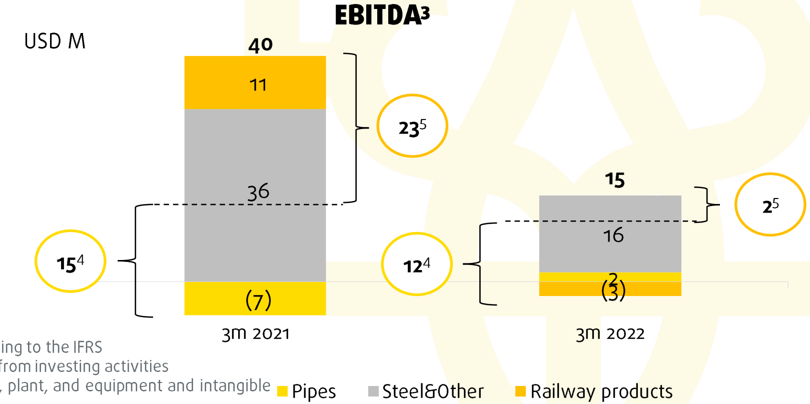
1. Net of Deprecation & Amortization item
2. Prices converted from UAH into USD at average USD/UAH rates for respective periods
3. UEX weighted average prices on all payment terms

Financial Highlights[1] of the first 3 months 2022







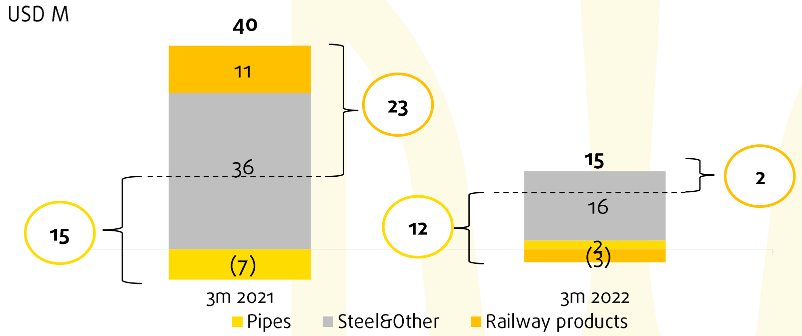


1. Financial figures are presented based on the unaudited consolidated financial statements for the first 3 months prepared according to the IFRS
2. Capex figure represents the line Purchases of property, plant and equipment and intangible assets as part of the net cash flow from investing activities
3. EBITDA is calculated as an operating profit (or loss) plus depreciation and amortization charges, plus impairment of property, plant, and equipment and intangible assets, plus loss / (gain) on disposal of property, plant, and equipment, plus extraordinary losses / (gains)
4. EBITDA of the pipe segment on a pass-through basis reallocating the relevant portion of EBITDA from the steel segment to the pipe segment
5. EBITDA of the railway product segment on a pass-through basis reallocating the relevant portion of EBITDA from the steel segment to the railway product segment

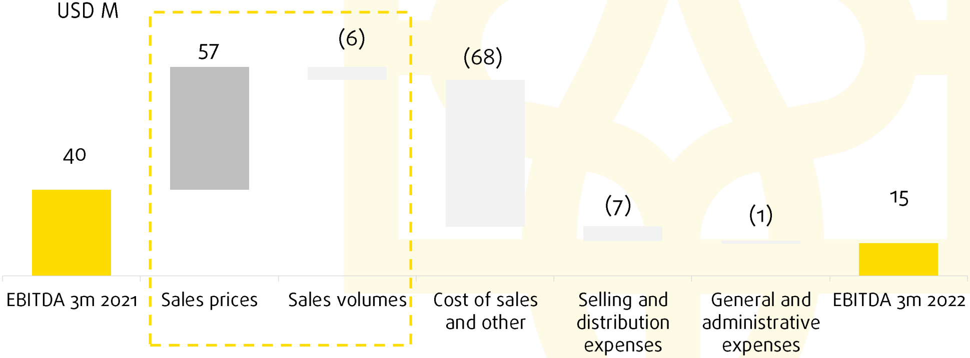
EBITDA

- The first 3 months 2022 EBITDA[1] slumped by 63% y-o-y (totaling USD 15M).
- Some drivers were mostly a consequence of the Russian invasion:
  - loss of sales volumes (esp. in the railway product segment)
  - USD 8M of idle cash costs incurred in March 2022 and USD 13M spent for Ukrainian army support
  - materially higher logistics and transportation cost due to the military blockade of Ukraine sea ports, need to switch to other logistics routes and appreciation of fuel, etc
- However, there were other material factors that caused an additional downward pressure on the business performance during this reporting period:
  - y-o-y appreciation of raw materials and production inputs: scrap, electricity and natural gas (e.g. its price sky-rocketed in Q1 2022 more than by 6x y-o-y)
  - the first 3 months 2021 EBITDA of USD 40M also included the effect of provision release in amount USD 15M

EBITDA[1]



Revenue effect for the first 3 months 2022 = + USD 51M

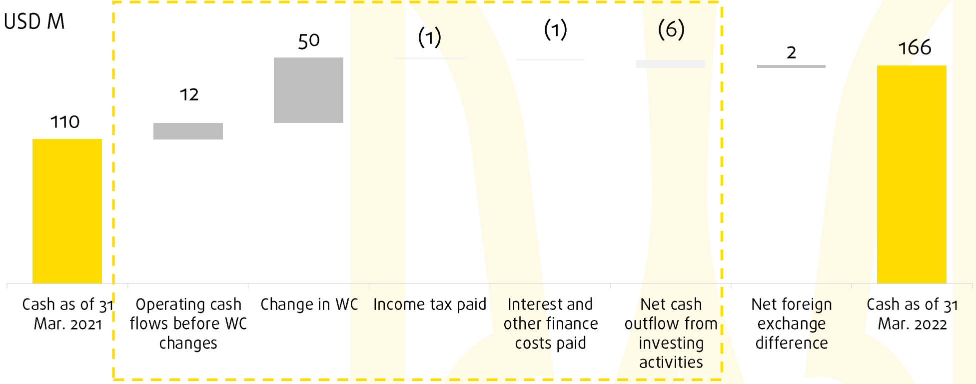


1. EBITDA is calculated as an operating profit (or loss) plus depreciation and amortization charges, plus impairment of property, plant, and equipment and intangible assets, plus loss / (gain) on disposal of property, plant, and equipment, plus extraordinary losses / (gains)

Cash flow

- In the first 3 months 2022, despite the shrunk EBITDA the Company maintained its strong conversion into Operating Cash flow before Working Capital changes of over 80% (USD 12M)
- Free cash flow[1] for the same period was abnormally positive (+ USD 54M) mainly at expense of release of Working capital in amount of USD 50M as other expenditures were minor
- Steep cash inflow from Working Capital release was predominantly attributable to decrease in trade receivable (USD 62M) as the stock of finished products available outside of Ukraine or in transit was insignificant while production was suspended, and export capacity was limited
- After the start of the invasion on February 24, 2022, financing of expansion Capex program was postponed, and maintenance Capex was also materially scaled down due to suspension of production in Ukraine until beginning of April

Free cash flow[1] for the first 3 months 2022 = + USD 54M

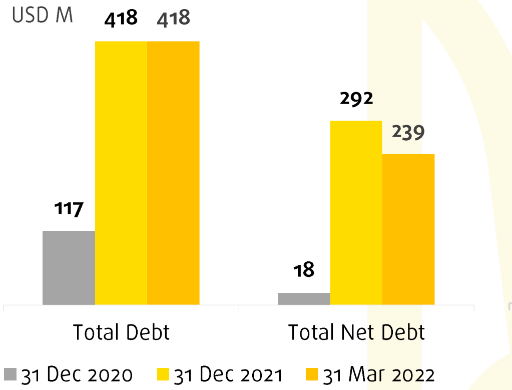


1. Free cash flow is calculated as the net cash flow from operating activities less the net cash flow from investing activities

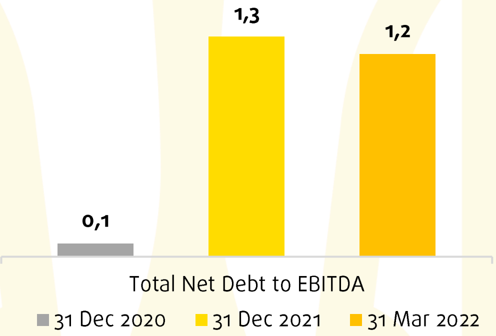
Debt profile

- As of March 31, 2022, **Consolidated Total Debt**[1] amounted to **USD 418M** and comprised of:
  - **Notes 2026** recognized at amortized cost according to the IFRS in amount of **USD 298M**
  - **2 Bank Facilities** (EUR-denominated) in amount of **USD 41M**
  - Carrying value of the **Performance Sharing Fees and Securities** amounted to **USD 79M**
- In Q1 2022, EUR 0.1M were repaid as scheduled installments under the EUR-denominated long-term amortizing bank loan.
- **Cash & Cash Equivalents**[1] amounted to **USD 179M**
- **Consolidated Total Net Debt**[1] went down to **USD 239M** following the growth in the cash position
- As of March 31, 2021, **Consolidated Net Leverage Ratio**[1] (Total Net Debt to EBITDA) consequently improved to **1.2x**
- The first annual installment under the **Performance Sharing Fees and Securities** for the testing period of July 1, 2021 – June 30 ,2022 is due in October 2022

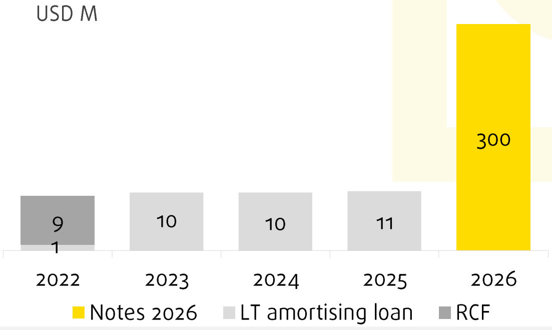
Debt Quantum[1]



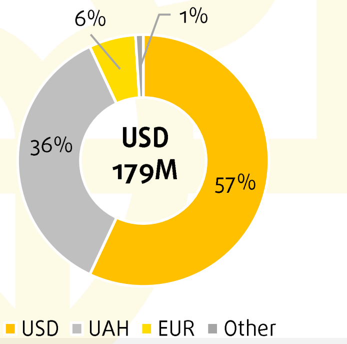
Consolidated Net Leverage ratio[1]



Current Debt maturity profile[2]



Cash & Cash Equivalents[1] currency breakdown as of March 31, 2022



1. Total Debt, Cash & Cash Equivalents, Total Net Debt, Consolidated Net Leverage Ratio are calculated subject to the Terms and Conditions of the Notes 2026 set out as Schedule 1 to the Trust Deede
2. Debt maturity profile is presented at nominal value of the debt instruments and net of carrying value of the Performance Sharing Fees and Securities.

Investor Relations Contacts

Andrii Okolnych,
Head of Investor Relations

IR@m.interpipe.biz

www.interpipe.biz

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