Q2 and the first six months 2023 Operational and Financial Overview

INTERPIPE

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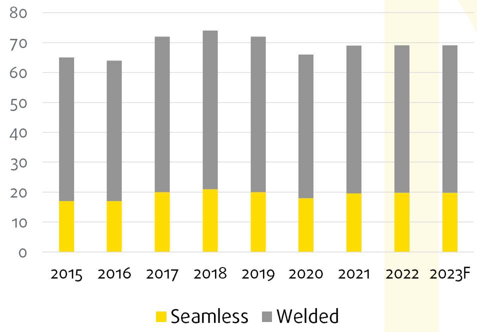
Key highlights of Q2 2023 and business outlook

- In Q2 2023, the Company continued operating in challenging and fluid environment on the back of the ongoing full-scale russian invasion of Ukraine
- Interpipe faced and then successfully resolved another challenge for its operations: following the Kakhovska dam blowing up in June we promptly modernized equipment and system of water intake for Nikotube located in Nikopol
- After material shortages of electricity supply in winter Interpipe has been utilizing its production capacities on average at 60-70% of the pre-war levels
- On the back of overstocking and gradual softening of demand in the US OCTG market we shifted to higher production of linepipe with a focus on European and MENA markets and redirecting more OCTG sales to the domestic market
- There have been also several favorable regulatory factors that support the pipe segment future performance at foreign markets:
  - The US government extended suspension of the 25% safeguard duty for Ukrainian steel products (Section 232) until June 2024
  - The European Council also extended suspension of the quota and anti-dumping duty for Ukrainian steel products (inc. linepipe) until June 2024
  - In April 2023, Interpipe received the final decision from the DOC on the OCTG antidumping duty rate of 1.55%
- In August, the Board of Directors of Interpipe took a decision to resume major development capex projects that had been suspended after the start of the full-scale russian invasion, namely:
  - Finalization of construction of thermal heat treatment facility and hydraulic press at Nikotube. Given that both projects had been financed up to 80% before their suspension, the total amount of further outlays is up to USD 8M
  - Several other projects in the steelmaking and railway product segments that are at either engineering or early stages now
- Interpipe's management expects to maintain the utilization rate of its production capacities at the same level up to the end of this year
- The focus in terms product and geography mix will be on the Ukrainian OCTG market as well as on linepipe sales globally
- However, as the energy system of Ukraine remains exposed to new strikes during the forthcoming heating season this embeds uncertainty and downside risks

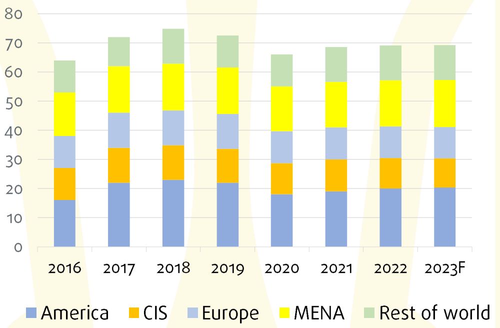
Pipe market

- **USA:**
  - Both OCTG demand and consumption have been gradually decreasing during Q2 along with easing import volumes and high levels of accumulated inventories. The U.S. rig count dropped by 41 rigs q-o-q in Q2 but it was by 65 rigs y-o-y higher in H1 2023 compared to the previous year
  - Average OCTG prices in Q2 declined by 13% q-o-q but stayed higher by 10% y-o-y. The prices are expected to stabilize closer the year-end upon sufficient exhaustion of inventories
- **MENA:**
  - The region added 14 rigs in Q2 q-o-q and 44 rigs y-o-y in H1 2023 supporting continued solid demand for seamless pipes. Total regional project activity in Q2 was up by 36% q-o-q driven by the growth of pipe import primarily from China
  - Prices saw a minimal negative correction in Q2 driven by Chinese mills which retained the lion share in seamless pipe supply to the region
- **Europe:** The demand for seamless linepipe kept easing in Q2 amid a slowdown in construction and industrial sectors. Despite the interest rate hike by the ECB inflation remained among the most pressing issues. Seamless pipe prices declined by 3% q-o-q on average
- **Ukrainian** demand for steel pipe in construction sector in Q2 was stable with uncertainty prevailing. Construction companies worked on completing ongoing projects and continued to withhold from new investments. In the meantime, oil & gas sector showed noticeable growth with UGV (Naftogaz Group) that ramped up its drilling volumes by 30% q-o-q

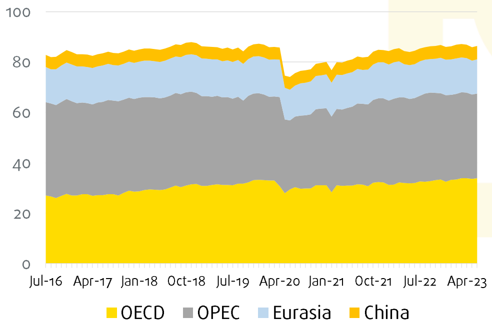
Pipe market by products[1]



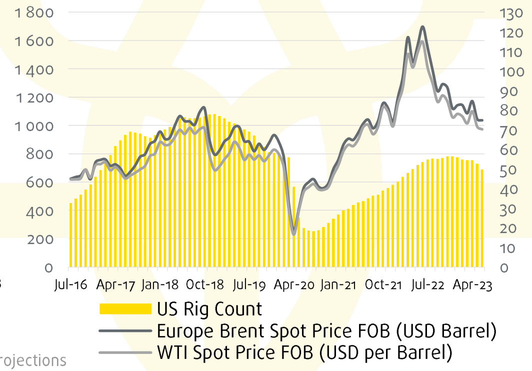
Pipe market by regions[1]



Crude oil production



Crude oil price and rig count

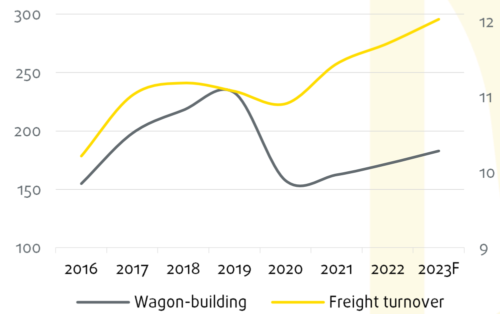


1. Excluding China. 2021 forecasts are as per the management's projections

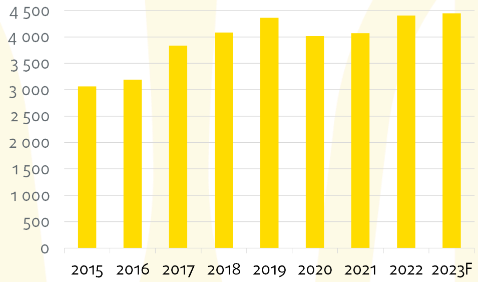
Railway product market

- Global wheel market continued recovering in H1 2023 and expectations for the full year 2023 remain bullish
- **Europe:**
  - In Q2 2023, supplies of railway products to Europe showed a 17% q-o-q growth following improved situation with Interpipe's production and shipments after limitations in first months of the year
  - Despite a slight decline in Chinese import in Q2, overall imports from China increased almost by 3 times y-o-y in H1 2023
  - Total imports to Europe rose by 51% y-o-y in H1 2023
- **Ukraine:**
  - Following a continuous recovery of wagon building industry up to Q1 2023, in Q2 it declined by 19% q-o-q
  - After-market segment represented around 60% of the total wheel market in Ukraine in H1 2023
  - Number of depot and capital wagon repairs by private companies grew in Q2 2023 by 8% y-o-y but declined by 18% q-o-q

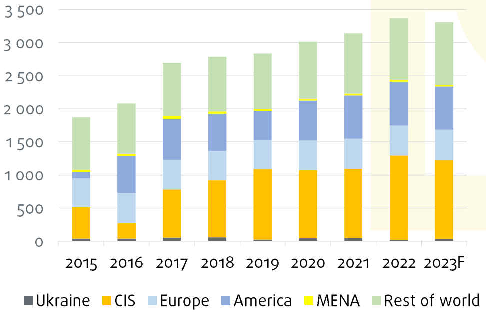
Global markets' wagon building and freight turnover



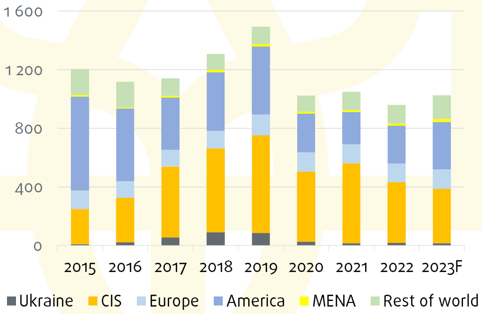
Railway wheel market[1]



Railway wheels for after-market segment[1]



Railway wheels for wagon-building segment[1]

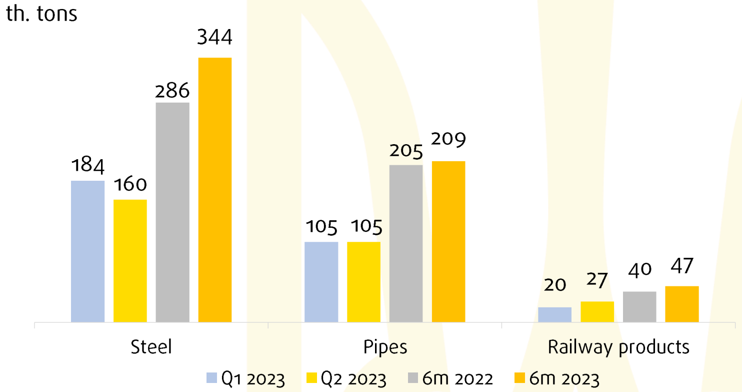


1. Excluding China. 2022 forecasts are as per the management's projections

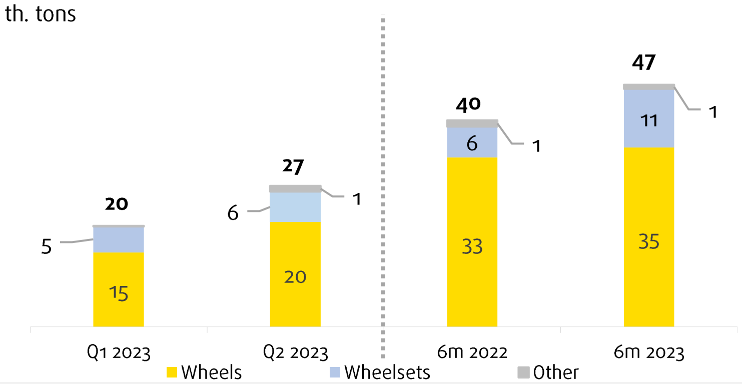
Operational results

- Given that in H1 2022 production was suspended for 2-2.5 months a y-o-y analysis and comparison of operational figures makes little sense and is non-representative
- Railway product manufacturing increased by 39% q-o-q on the back of getting back to a regular production after electricity shortages in winter
- Pipe production remained stable having inched by 2% q-o-q in Q2 2023 with pipe mix evolved driven by sales pattern of the Company:
  - OCTG production dropped by 39% q-o-q
  - Linepipe production grew by 21% q-o-q

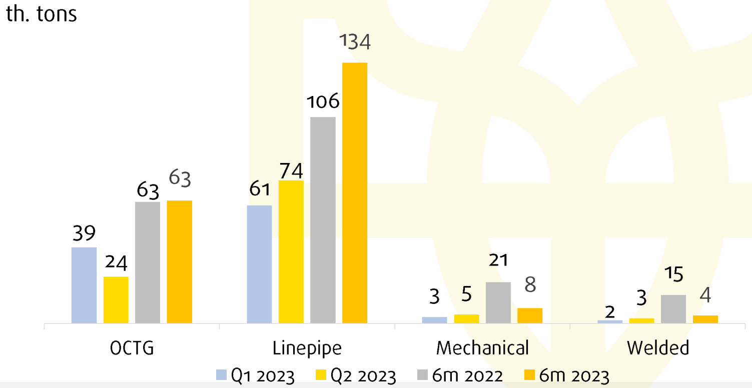
Production dynamics



Railway products by type production dynamics



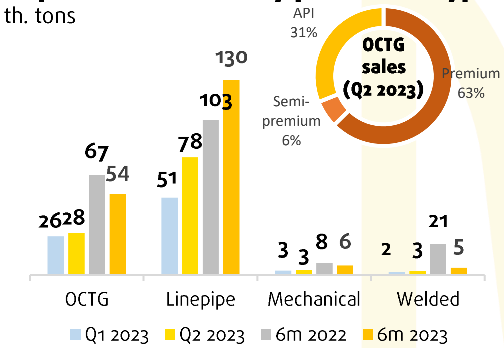
Pipes by type production dynamics



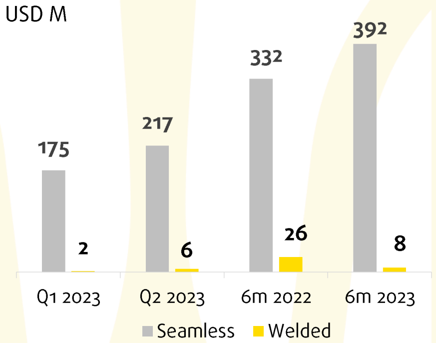
Pipe segment: Sales portfolio

- In Q2 2023, sales volumes grew across all regions by 36% q-o-q in aggregate but remained stable y-o-y in H1 2023. Absence of electricity supply limitations was one of key drivers of this growth in Q2
- Total OCTG sales volumes gained 8% q-o-q in Q2 2023, while linepipe volumes hiked by 53% q-o-q over the same period on the back of the mentioned progressive change of focus from the US OCTG market to the domestic OCTG and European and MENA linepipe markets
- However, our **North American** sales sustained in Q2. They exhibited a slight growth of 5% q-o-q despite the unfavorable market trend driven by overstocked inventories and declining prices
- **Europe** sales saw a significant growth in Q2, surging by 44% q-o-q amid considerable linepipe sales to Poland, Germany and Spain
- **MENA** volumes boosted by over 2,5x primarily thanks to the increase in linepipe sales to Turkey, UAE and Saudi Arabia upon winning in several large tenders to which Interpipe had applied earlier this year
- **Domestic** sales grew by 22% q-o-q in Q2 2023 mainly driven by large shipments of OCTG to UGV

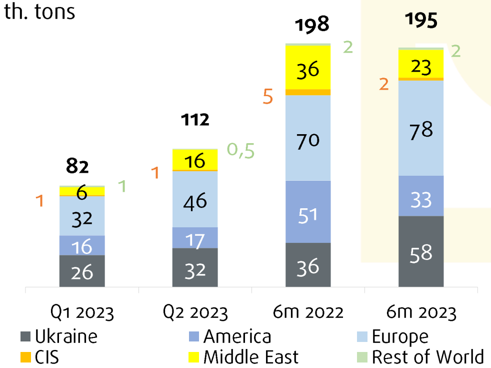
Pipe sales volumes by production type



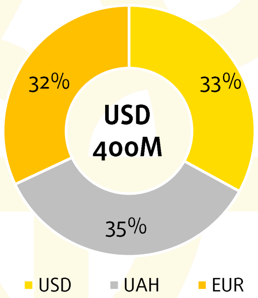
Pipe revenue by product type



Pipe sales volumes split by region



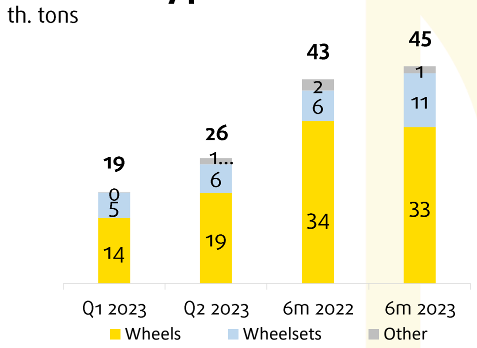
Currency breakdown the first six months 2023



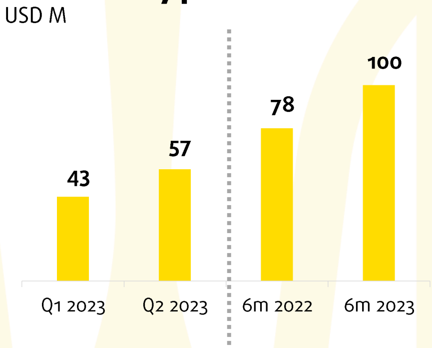
Railway product segment: Sales portfolio

- After the drop in Q1 2023 railway products sales exhibited a surge of 37% q-o-q in Q2
- 26 thousand tons was the highest quarterly sales level achieved since the beginning of the war, though it was still far below the pre-war levels
- **Ukraine.** Domestic sales hiked by 47% q-o-q in Q2 2023 amid shipments of tendered volumes to Ukrainian Railways (UZ)
- As Interpipe has been continuing to reprofile railway product sales to the **European market**, sales there rose by 36% q-o-q in Q2
- Now **Europe** becomes the primary direction for Interpipe's railway product sales hitting a 2/3 share in the total sales in H1 2023
- **MENA, America and ROW** sales doubled q-o-q in Q2 causing their share in the total sales to grow up to 13%

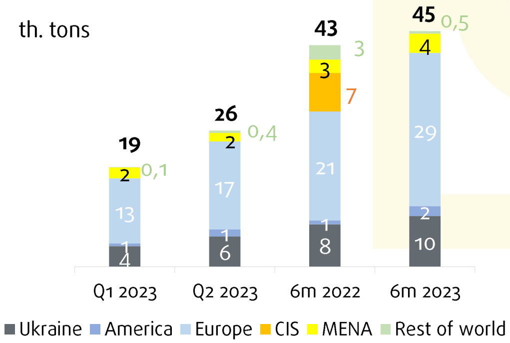
Railway product sales volumes



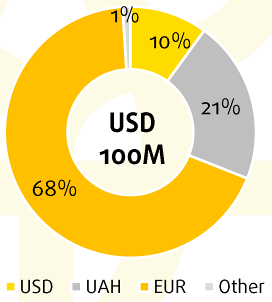
Railway product revenue



Railway product sales split by region

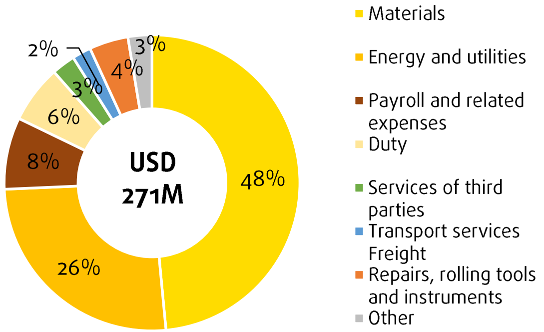


Currency breakdown the first six months 2023

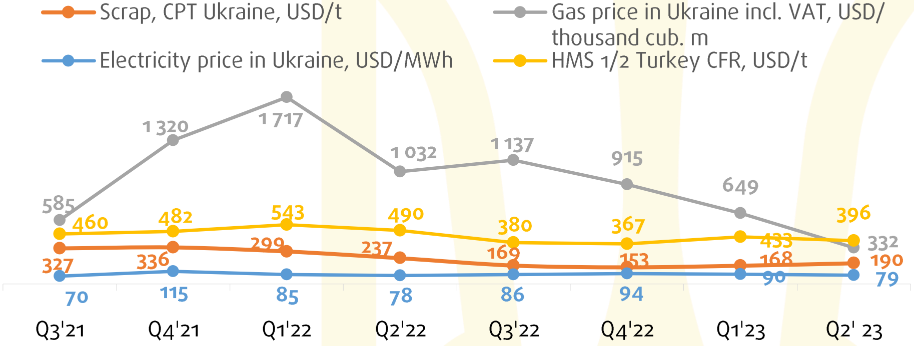


Cost structure for the first six months 2023

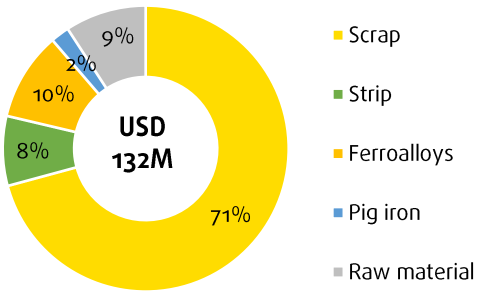
Cost of Sales breakdown[1]



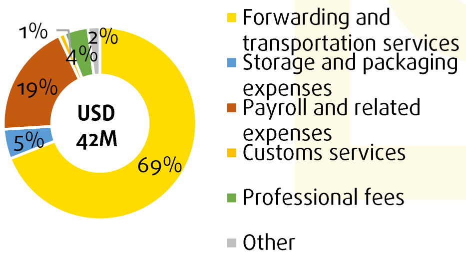
Evolution of prices for scrap and natural gas



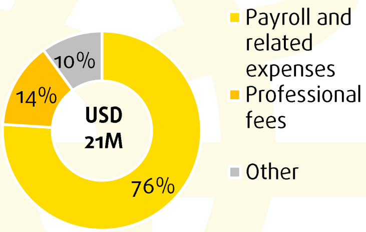
Materials breakdown



Selling & Distribution costs[1]

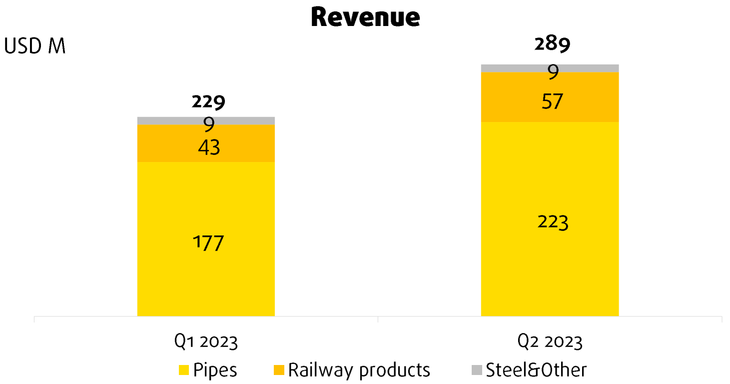


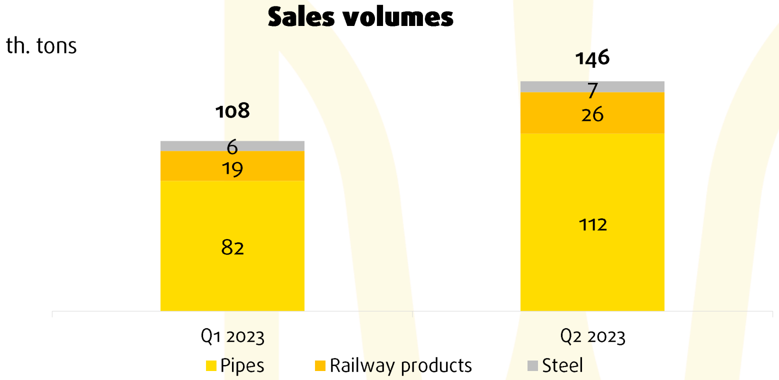
General & Administrative costs[1]

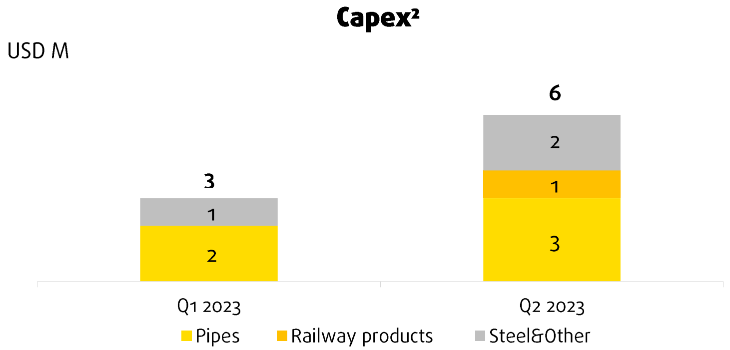


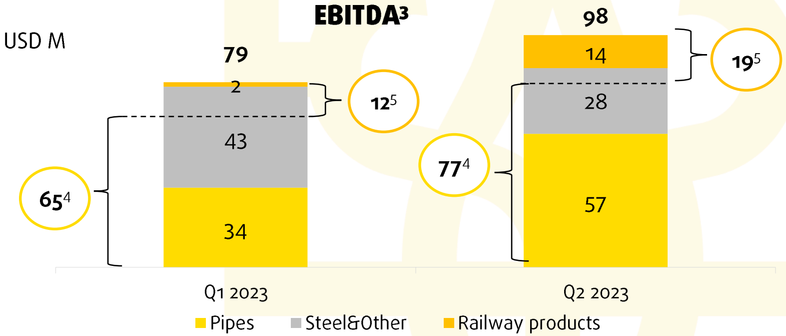
1. Net of Deprecation & Amortization item
2. Prices converted from UAH into USD at average USD/UAH rates for respective periods
3. UEX weighted average prices on all payment terms

Financial Highlights[1] of Q2 2023





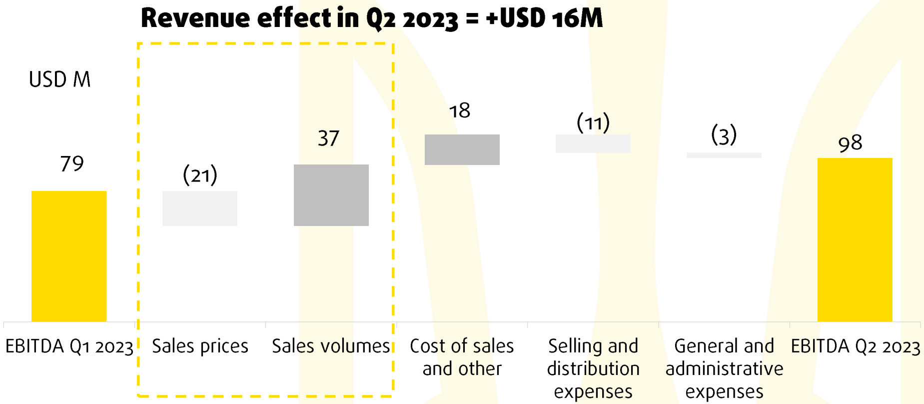




1. Financial figures are presented based on the unaudited interim consolidated financial statements prepared according to the IFRS
2. Capex figure represents the line Purchases of property, plant and equipment and intangible assets as part of the net cash flow from investing activities
3. EBITDA is calculated 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 Q2 2023 EBITDA[1] amounted to USD 98 M. It grew by 24% q-o-q on the back of mix of the following drivers:
  - Progressive decline in market prices in the pipe segment (esp. for OCTG in the US)
  - Substantial q-o-q growth in sales volumes both in the pipe and railway product segments
  - Cost of Sales: cheaper average market prices for electricity (12% q-o-q) and natural gas (-49% q-o-q) that buffered appreciation of scrap by 13% q-o-q
  - Rise of Selling and distribution expenses following the growth in sales volumes
- Total EBITDA for the first six months 2023 hit USD 178M

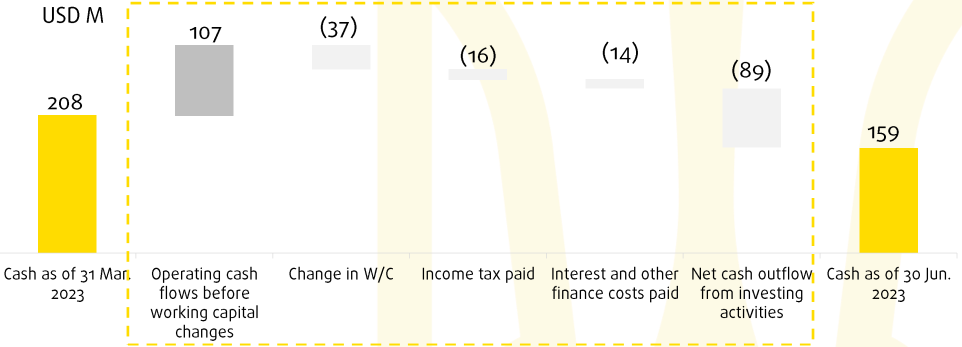


1. EBITDA is calculated as an operating profit (or loss) plus depreciation and amortization charges, plus impairment of property, plant, and equipment and intangible assets, plus loss / (gain) on disposal of property, plant, and equipment, plus extraordinary losses / (gains)

Cash flow

- Free cash flow[1] for the first six months stayed positive amounting to USD 4M
- The Company's cash generation has been consecutive and resilient with a robust conversion of EBITDA into cash that covered all investment and financing needs
- In Q2 2023, investments in Working Capital increased by USD 37M due to growth in sales volumes and revenue
- Total income tax and interest payments for the first six months 2023 increased up to USD 36M in aggregate following semiannual coupon payment under the Notes 2026 paid in May (USD 12.5M) and USD 16M of taxes paid in Q2 amid the strong business performance in 2023
- In Q2, Capex remained limited to maintenance (USD 6M) yielding to USD 9M in total for H1 2023
- In April, Interpipe granted a USD 85M interest-bearing loan to Shareholders at 9% p.a. interest rate (recognized as part of Cashflow from investing activities according to the IFRS)

Free cash flow for Q2 2023 = - USD 49M

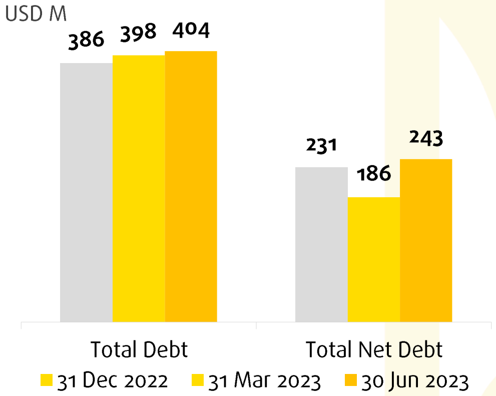


1. Free cash flow is calculated as the net cash flow from operating activities less the net cash flow from investing activities

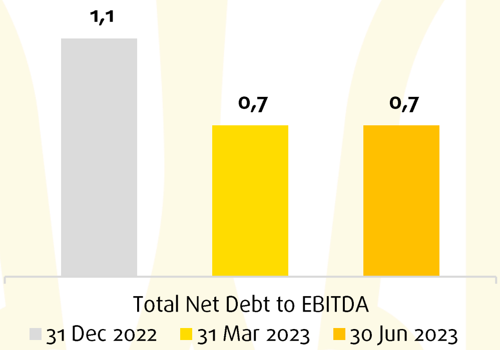
Debt profile

- As of June 30, 2023, **Consolidated Total Debt**[1] amounted to **USD 404M** and comprised of:
  - **Notes 2026** recognized at amortized cost according to the IFRS in amount of **USD 299M**
  - **2 Bank Facilities** (EUR-denominated) in amount of **USD 37M**
  - Carrying value of the **Performance Sharing Fees and Securities** was revalued upward to **USD 67M**
- **Cash & Cash Equivalents**[1] went down to **USD 160M** during Q2 that resulted in a hike of **Consolidated Total Net Debt**[1] to **USD 243M**
- However, amid the sound business performance in Q2 2023 **Consolidated Net Leverage Ratio**[1] (Total Net Debt to EBITDA) as of June 30, 2023 remained flat staying at a very strong level of **0.7x**
- In H1 2023, the Company repaid eqv. USD **0.8M** of scheduled instalments under the **LT Bank amortizing loan**

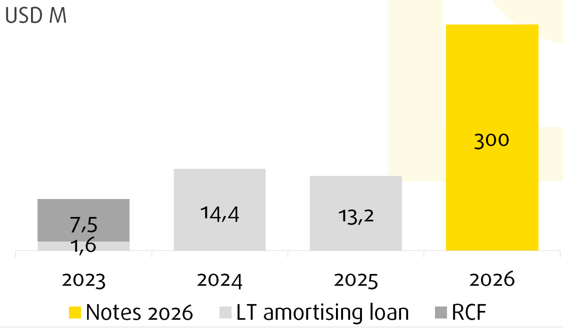
Debt Quantum[1]



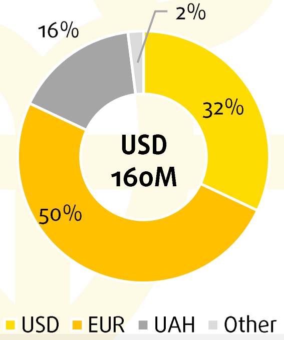
Consolidated Net Leverage ratio[1]



Current Debt maturity profile[2]



Cash & Cash Equivalents[1] **currency breakdown as of June 30, 2023**



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 Deed
2. Debt maturity profile is presented (as of the date of this Presentation) at nominal value of the debt instruments and net of carrying value of the Performance Sharing Fees and Securities. Current USDEUR rate=1,07

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