



**Q4 and
the full year
2022 Operational and
Financial Overview**

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Key highlights of 2022 and business outlook





 Starting from February 24, 2022, upon the start of full-scale Russian invasion of Ukraine the Company had to adapt consecutively to a challenging and fluid environment amid the ongoing military actions:


- All operations at the production units in Ukraine had been suspended until April-May 2022 to safeguard our employees, preserve the assets and to ensure future business continuity. Production assets located in Dnipropetrovsk region were gradually reopened
- Thereafter, the Company's management had been driven to search and succeeded in setting new logistic routes, that in turn resulted in sharp hike in transportation costs and required higher outlays in Working capital considering longer logistics shoulders at least by 30-40 days
- In July, the key seamless pipes production facility (Nikotube located in Nikopol) fell under an intensive shelling thereby materially limiting seamless pipe production capacity
- Starting from October 2022 Ukraine's critical energy infrastructure was crippled by the missile and drone strikes leading to electricity outages since mid November 2022 until March 2023


 At the same time, there were several favourable market drivers that contributed to the strong performance of Interpipe as a result of FY 2022:

- High prices for energy commodities intensified drilling activity worldwide which bolstered demand and appreciation of OCTG pipes market prices (and in the US, particularly)
- In order to support Ukraine and its exporters, in June 2022, the DOC of the US suspended the 25% safeguard duty for Ukrainian steel products (Section 232) and European Council suspended the quota and anti-dumping duty for Ukrainian steel products (inc. linepipe) (both suspensions were extended until June 2024)

Starting from March 2023 there been no material shortages of electricity that allowed Interpipe rebounding its production, however the energy system of Ukraine remains vulnerable and may experience new capacity shortages in case of mandatory maintenance of NPPs and new missile strikes

 The main challenge stays with the railway product segment that lost ca. 50% of its volumes due to inaccessibility to the former lucrative belarrussian market. The  Company is now to elaborate new strategy of development in this segment

 From the market perspective, amid the softening of oil and natural gas prices and recession sentiment the 202 bread winner US pipe market along with some others has gradually started cooling off since the beginning of this year

 On the flip side, following the regular annual review finalization in April 2023 Interpipe received the final decision from the DOC on the OCTG antidumping duty rate of 1.55% that is to improve substantially the pipe segment performance and suppress the downward market price trend in the near term

Pipe market



USA:

- OCTG demand remained at elevated levels in Q4, despite softening oil prices and reduced growth in drilling activity. The U.S. rig count grew by 15 rigs q-o-q in Q4 and 245 y-o-y in 2022. The average WTI oil price dropped to 83 \$/b in Q4 2022
- Average pipe prices in Q4 reached another record for OCTG items (+2% q-o-q), while at the same time showed signs of easing during by the quarter-end. Linepipe prices continued their decline, at -9% q-o-q in Q4

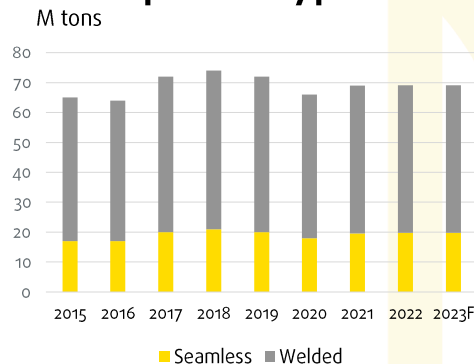
MENA:

- The region's rig count added 29 rigs in Q4 and by 56 rigs in 2022 y-o-y confirming the strong market fundamentals for seamless pipe demand. In addition, cumulative regional project activity had well surpassed the 2021 levels led by Saudi Arabia and Egypt
- However, OCTG prices in the region remained 2-2.5x lower than in the US on the back of strong presence of Chinese producers (with over a 60% market share) that flooded the market with dumping prices given a soft demand from the domestic market in China

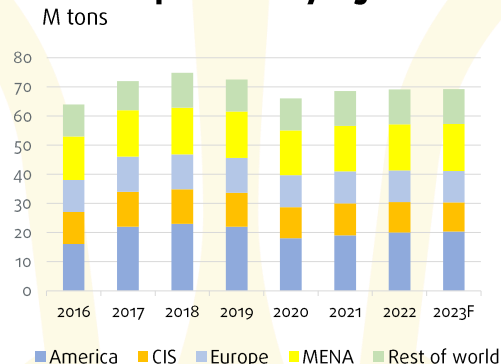
Europe: Pressure from heated energy prices translated into weakness in demand for seamless pipe, including industrial and construction sectors. Prices eased by 5% in Q4 q-o-q, while on average in 2022 they were still above the 2021 level by almost 50%

Ukrainian construction output fell by 65% y-o-y in 2022 due to war which caused widespread halts of ongoing projects as well as new investments. Subsequently, the steel consumption in the country is estimated to have contracted by 55% y-o-y. Oil & gas sector remained the only backer of the domestic demand for pipes in 2022

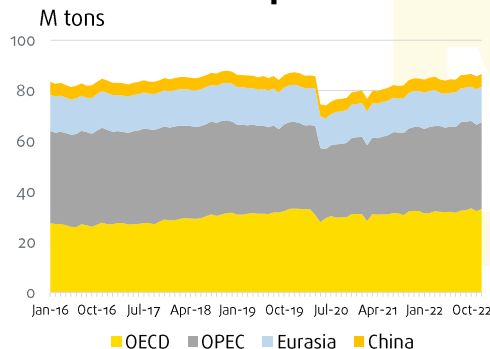
Pipe market by products¹



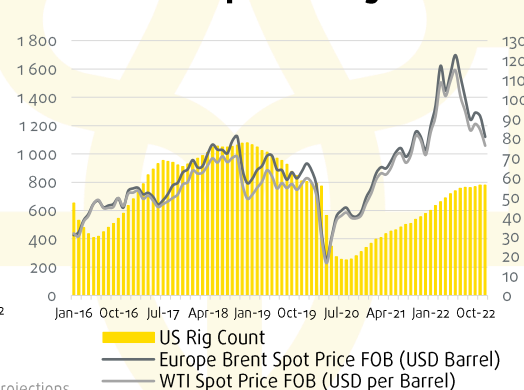
Pipe market by regions¹



Crude oil production



Crude oil price and rig count



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

Railway product market



Global railway wheel market saw a partial recovery in Q3-Q4 2022 compared to the first half of the year when extreme geopolitical uncertainties shaped expectations. However, despite escalating energy crisis in Europe, global wheel market showed recovery by 8% in 2022

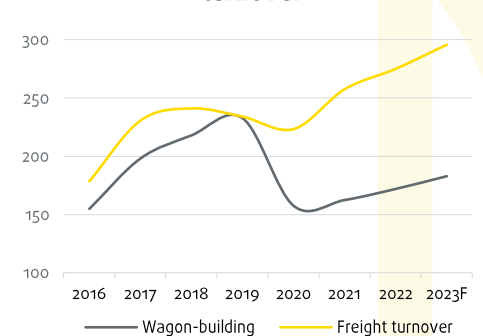
Europe:

- Reduced supplies from Ukraine during the first months of the war caused imbalance in the European market. Russian supplies to Europe were limited with Evraz (under sanctions in the UK). At the same time Chinese and Turkish producers tried to use the imbalance to strengthen their own positions in the region
- In Q4, supplies of railway products to Europe showed a q-o-q decline of 18% accompanied with Interpipe's production limitations, as well as the drop in Russian supplies by 64% q-o-q
- By the end of 2022, import to Europe showed a decline by 11% y-o-y

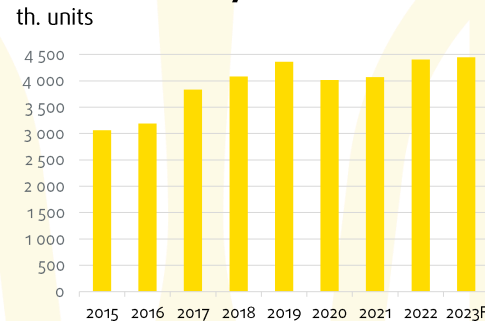
Ukraine:

- Following a significant downturn in Q2-Q3 2022, wagon building industry in Q4 showed recovery of 33% q-o-q
- After-market segment was less affected than wagon-building industry, since exporters turned to railway transportation due to the blocked seaports
- After-market segment represented around 58% of the total wheel market in Ukraine for the full year 2022. Number of wagon repairs by private companies increased by 16% q-o-q in Q4 2022

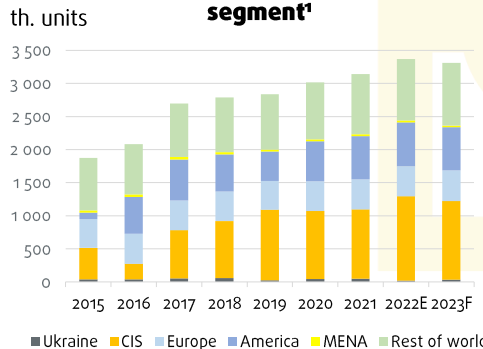
Global markets' wagon building and freight turnover



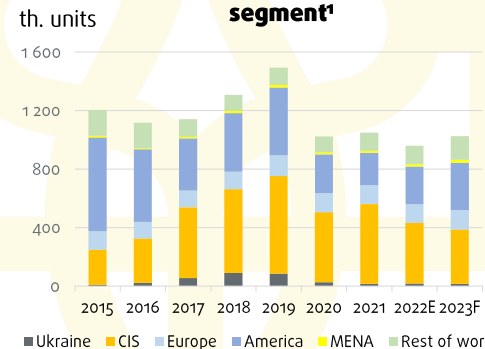
Railway wheel market'



Railway wheels for after-market segment'



Railway wheels for wagon-building segment'

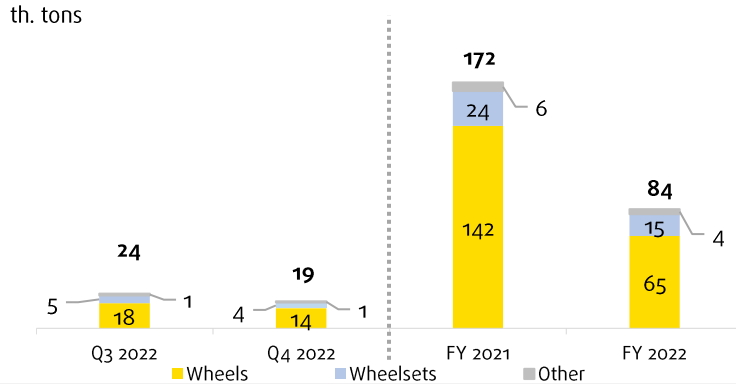


1. Excluding China. 2022 forecasts are as per the management's projections

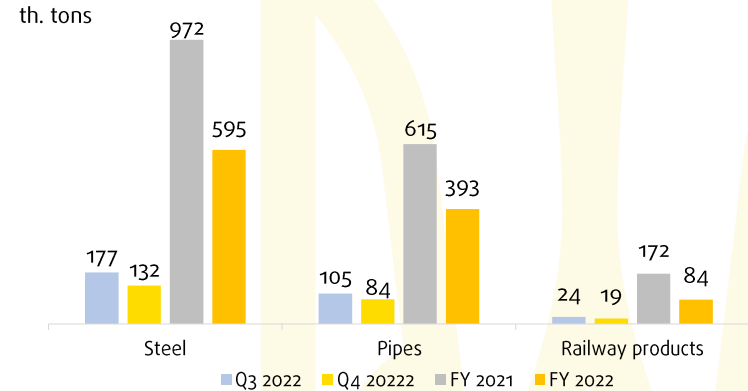
Operational results

- The war-time operational environment severely undermined load of production capacities in all segments in 2022. Especially, the situation got worse in Q4 on the back of electricity black outs in November-December as a result of strikes
- Overall pipe production in Q4 declined by 19% q-o-q and 36% y-o-y in FY 2022
- OCTG production contacted by 31% q-o-q, declined by 25% y-o-y for the entire year
- Railway product manufacturing decreased by 21% q-o-q while slumped by twice y-o-y within the year

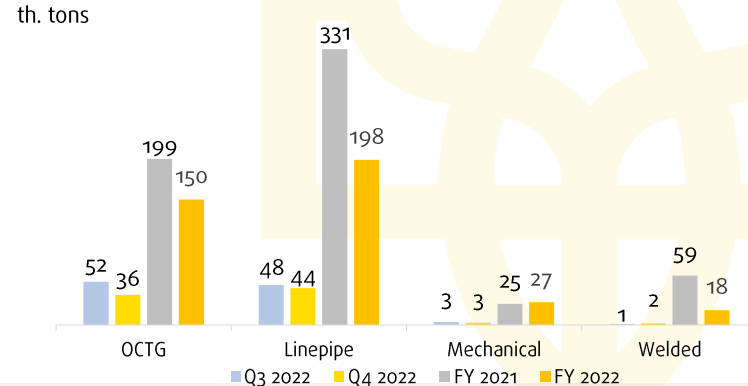
Railway products by type production dynamics



Production dynamics



Pipes by type production dynamics



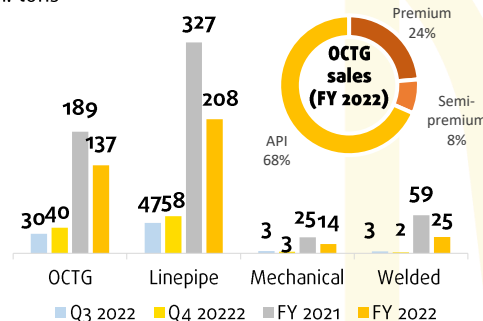
Pipe segment: Sales portfolio



- In Q4 2022, sales volumes were up by 21% q-o-q largely due to significant volumes of OCTG and Linepipe shipped to North America (a 152% q-o-q hike). Some of batches had been dispatched earlier in Q3 but arrived in Q4 only due to the elongated logistics shoulder of 3-4 months
- The sales to USA were highly prioritized within seamless pipe production capacities and on the back of electricity shortages given this market contributed the highest available margins compared to other markets
- The total 2022 sales declined by 36% y-o-y amid war-caused production and logistics constraints
- Total OCTG sales volumes grew by 31% q-o-q, with Linepipe volumes also grew by 21% q-o-q in Q4
- Domestic** sales declined by 39% q-o-q in Q4. The biggest drop happened for OCTG sales at -43% q-o-q in Q4, but the total 2022 sales were up by 17% y-o-y
- On the other side, **Europe** sales declined by 3% q-o-q in Q4 mostly due to drop in production capacities load. Total 2022 sales to the region declined by 21% y-o-y
- MENA** showed a 17% q-o-q drop in sales driven by declined Linepipe shipments and almost non-existent OCTG sales. The region's volumes were redistributed in favor of other destinations (a more than two-fold drop y-o-y) given the mentioned less attractive market price environment and merely the same logistic constraints as shipping to the USA

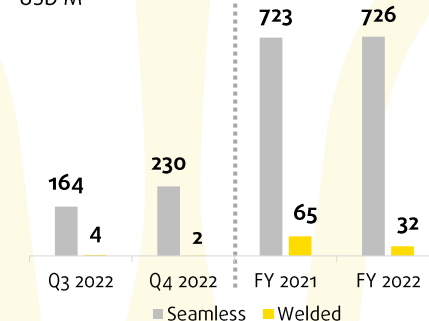
Pipe sales volumes by production type

th. tons



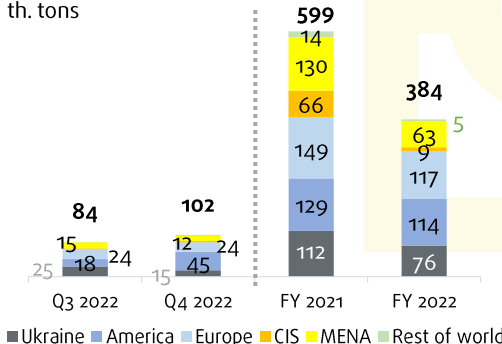
Pipe revenue by product type

USD M

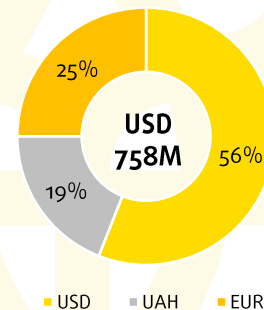


Pipe sales volumes split by region

th. tons



Currency breakdown the FY 2022

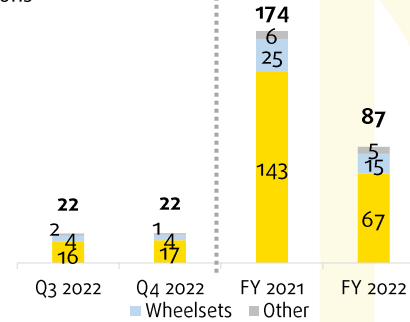


Railway product segment: Sales portfolio

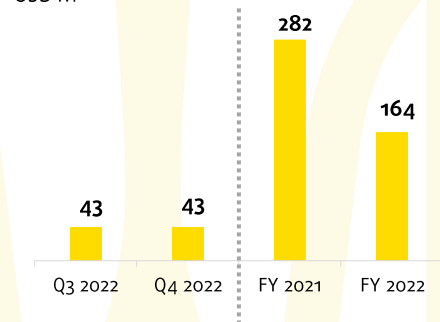


- Upon the recovery in Q3 2022, railway products sales were flat in Q4 q-o-q. The sales level was far below the pre-war ones – i.e., sales for 2022 halved y-o-y due to the fall away of the belarussian market as half of the capacities were designed for the former-USSR railway wheel types production
- Ukraine.** Domestic sales continued recovery by 20% q-o-q in Q4 2022. However, as a result of the whole year of 2022 they were lower by 41% y-o-y.
- Europe.** Europe has become the key direction for Interpipe’s railway product sales in 2022 and comprised a 51% share in 2022. For the 12 months of 2022 total sales to Europe decreased by 20% y-o-y
- MENA, America and ROW** were considered as alternative destinations to former-USSR market, however due to the extended transportation shoulder and increased transportation costs orders have been selected based on an economical rationale and couldn’t compensate volumes lost

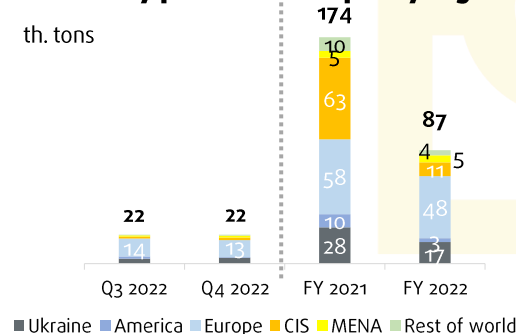
Railway product sales volumes
th. tons



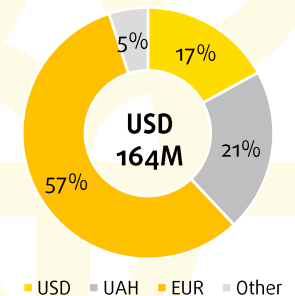
Railway product revenue
USD M



Railway product sales split by region
th. tons

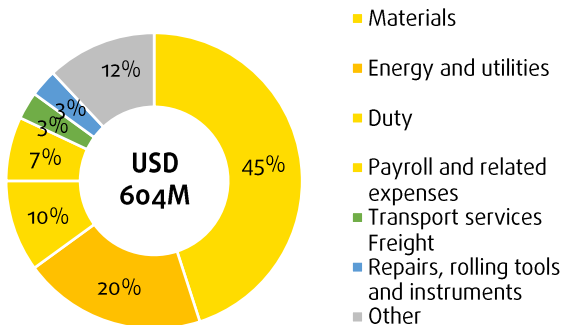


Currency breakdown for FY 2022

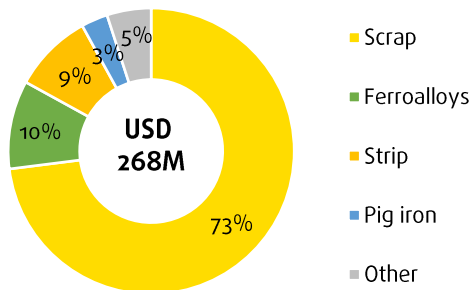


Cost structure for the full year 2022

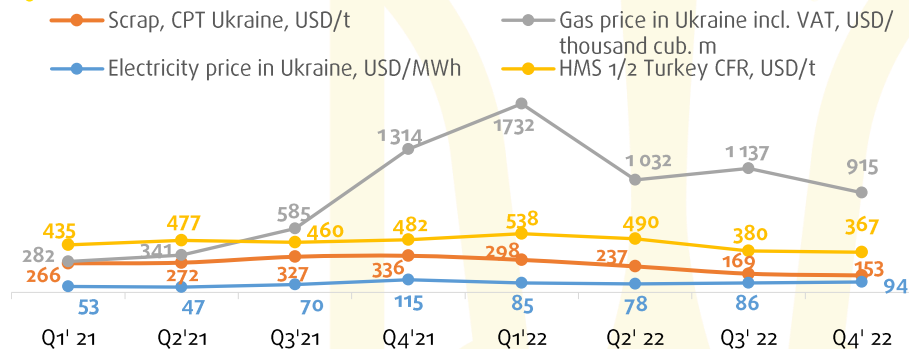
Cost of Sales breakdown¹



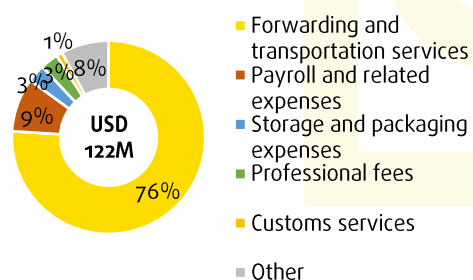
Materials breakdown



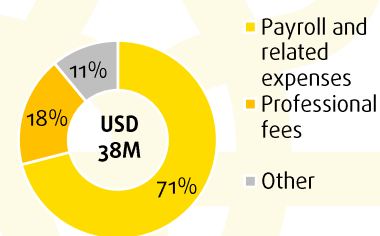
Evolution of prices for scrap and natural gas



Selling & Distribution costs¹



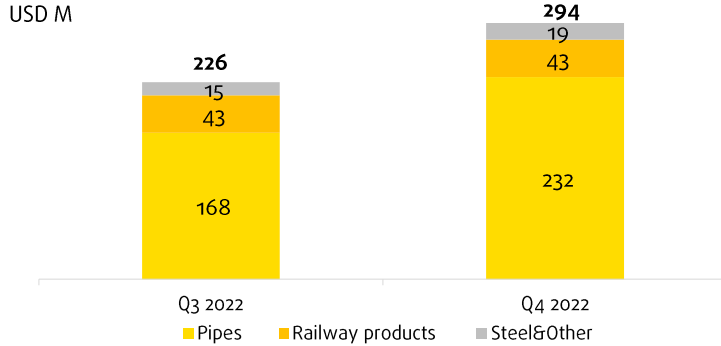
General & Administrative costs¹



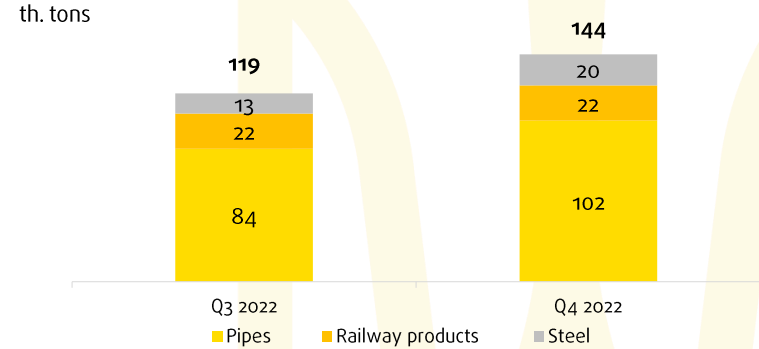
1. Net of Depreciation & Amortization item
 2. Prices converted from UAH into USD at average USD/UAH rates for respective periods
 3. UEX weighted average prices on all payment terms

Financial Highlights¹ of Q4 2022

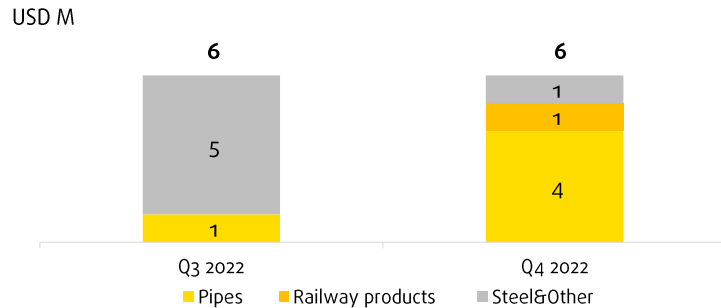
Revenue



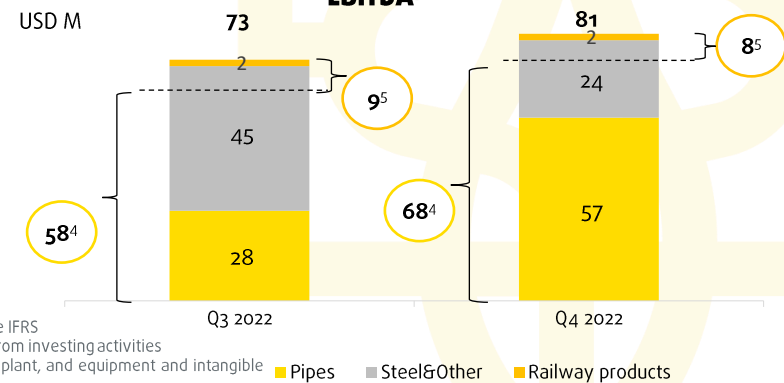
Sales volumes



Capex²



EBITDA³



1. Financial figures are presented based on the audited consolidated financial statements for the full year 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

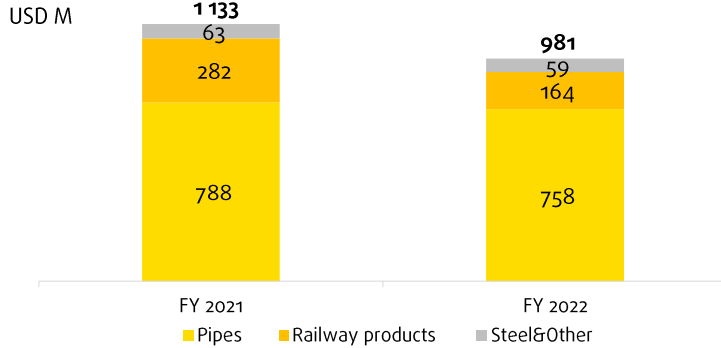
3. EBITDA is calculated as an operating profit (or loss) plus depreciation and amortization charges, plus impairment of property, plant, and equipment and intangible assets, plus loss / (gain) on disposal of property, plant, and equipment, plus extraordinary losses / (gains)

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

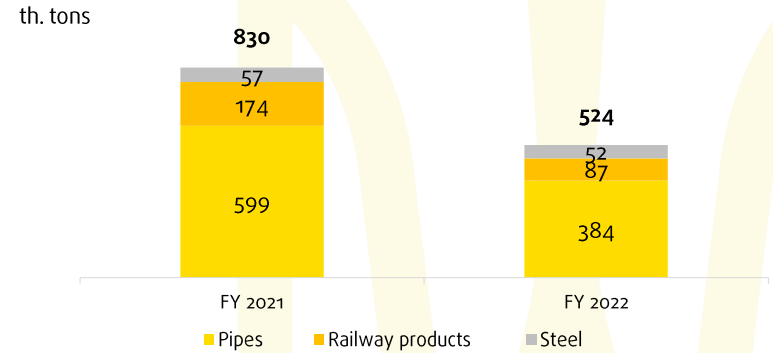
5. EBITDA of the railway product segment on a pass-through basis reallocating the relevant portion of EBITDA from the steel segment to the railway product segment

Financial Highlights¹ of the full year 2022

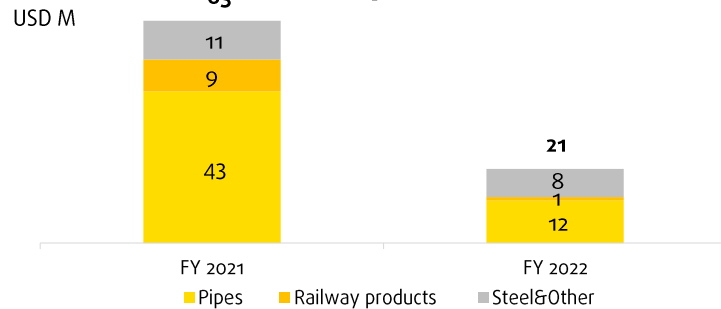
Revenue



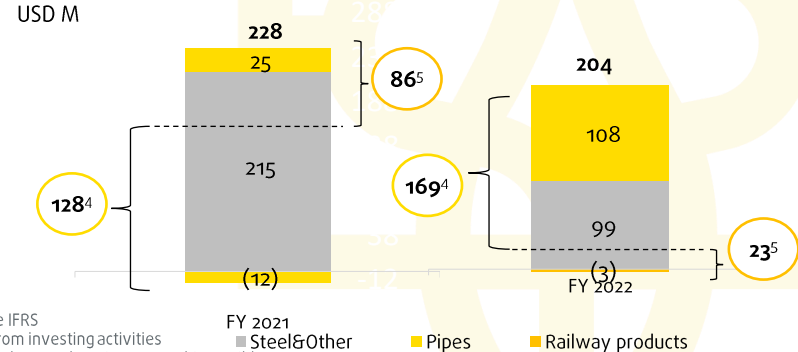
Sales volumes



Capex²



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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

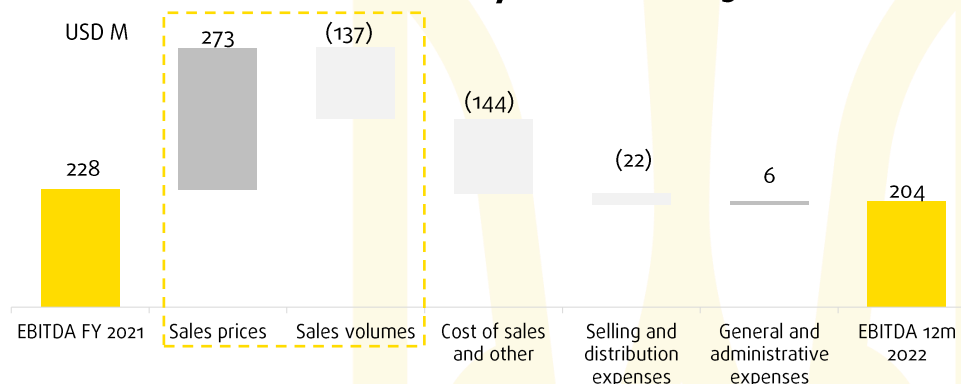
In Q4 2022, EBITDA¹, despite electricity shortages in November-December increased by 11% q-o-q and grew for the third consecutive quarter (totaling USD 81M) mainly amid:

- Growth of OCTG and Linepipe sales and record market prices in the US which peaked in Q4
- Further depreciation (in USD terms) of scrap sourced in Ukraine by 9% q-o-q and softening of natural gas prices (-20% q-o-q)

The above resulted in that the full year EBITDA was just 11% y-o-y lower (totaling USD 204M) driven by the conjuncture of the following factors:

- Positive:
 - Favourable market environment for seamless pipes in the US throughout the year
 - Suspension of the trade barriers in the US and EU since June 2022
 - Incremental depreciation of scrap in the domestic market (on average -29% y-o-y)
- Negative
 - 37% y-o-y loss of the total sales volumes for the full year 2022 (esp. in the railway product segment that halved)
 - Sky rocketed logistics and transportation costs triggered by the ongoing military actions in Ukraine (2.5-3.5x)
 - Steep appreciation of natural gas and electricity (on average by 90% and 20% y-o-y, respectively)

Revenue effect for the full year 2022 = + USD 136M



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)

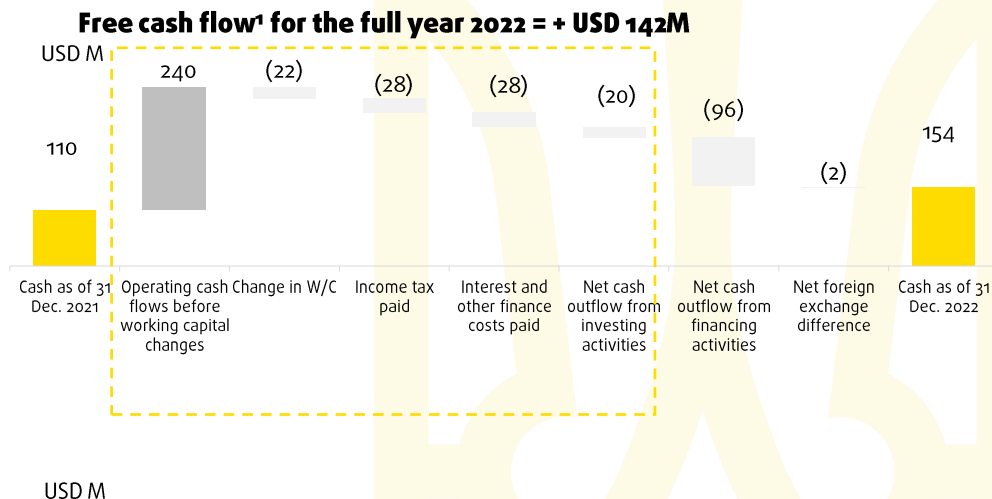
Cash flow

Free cash flow for the full year 2022 amounted to USD 142M as:

- The Company's cash generation has been resilient and consecutively exhibited a robust conversion of EBITDA into cash
- Despite the total sales volumes drop the investments in Working Capital increased (mainly in the pipe segment) on the back of the elongated logistic routes and sky-rocketed transportation costs (USD 22M)
- The Company stayed committed to duly paying income taxes and servicing its financial indebtedness in full during the wartime (USD 56M in total)
- Capex program was limited almost solely to maintenance Capex as major expansion projects were postponed (USD 21M)

Net cash outflows from financing activities (in amount of USD 96M) were attributable to:

- Repayment of the Shareholders' Loan (USD 69M)
- Redemption of the first annual instalment under the Performance Sharing Fees and Securities in October 2022 (USD 25M)
- Contractual amortization under the Bank facilities



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 December 31, 2022, **Consolidated Total Debt¹** amounted to **USD 386M** 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 38M**
- Carrying value of the **Performance Sharing Fees and Securities** declined to **USD 50M** following a redemption of the first annual instalment

Cash & Cash Equivalents¹ amounted to **USD 154M** that resulted in a decline of **Consolidated Total Net Debt¹** to **USD 231M**

As of December 31, 2022, **Consolidated Net Leverage Ratio¹** (Total Net Debt to EBITDA) consecutively improved to **1.1x** following the robust business performance in Q4 2022

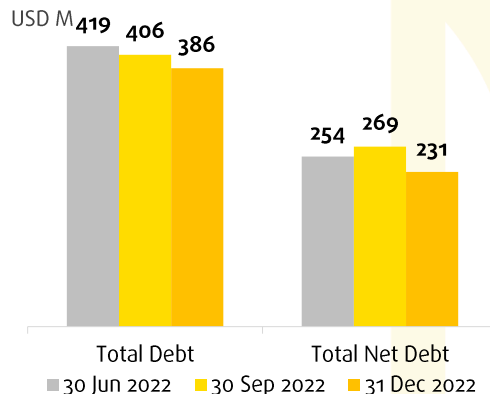
In Q4 2022, a **one-year extension (until December 2023)** of the short-term bank facility in amount of EUR 7M and a **relaxation of the amortization schedule for 2023** under the EUR-denominated long-term amortizing bank loan (EUR 2.5M instead of EUR 9.5M prior to be due in the course of 2023) were contractually concluded

The semiannual **coupon payment** under the Notes 2026 was **executed in full** on May 13, 2022 (amounted to **USD 12.5M**)

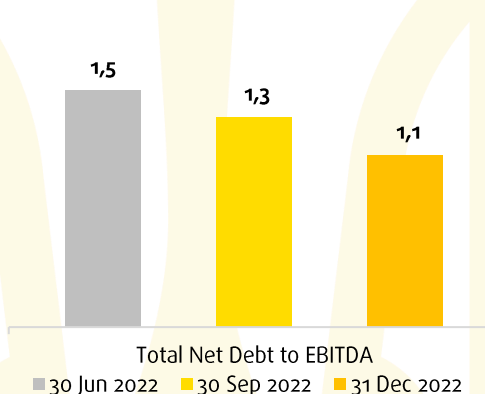
1. Total Debt, Cash & Cash Equivalents, Total Net Debt, Consolidated Net Leverage Ratio are calculated subject to the Terms and Conditions of the Notes 2026 set out as Schedule 1 to the Trust Deed

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

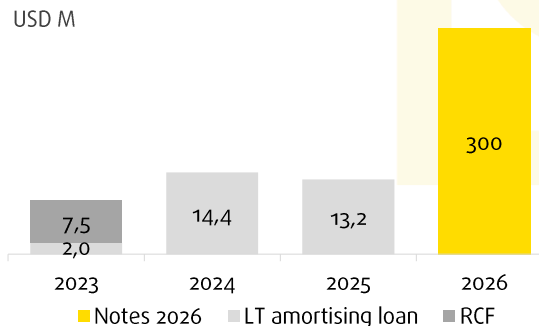
Debt Quantum¹



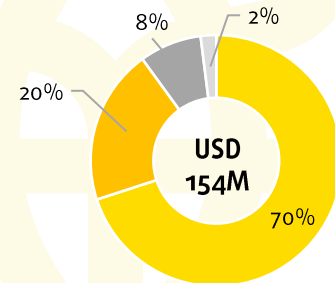
Consolidated Net Leverage ratio¹



Current Debt maturity profile²



Cash & Cash Equivalents¹ currency breakdown as of December 31, 2022





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