



**Q3 and the first
nine months 2022
Operational and Financial
Overview**

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Key highlights of Q3 2022 and business outlook



-  In Q3 2022, Interpipe continued operating in a challenging and fluid environment on the back of the ongoing military actions in Ukraine
-  As mentioned in the previous quarterly presentation, in Q3 the Company intended to ramp up materially supplies of seamless and especially OCTG pipes for exports as had put on track new export logistics
-  However, starting from July the key facility for production of seamless pipes (Nikotube located in Nikopol) has fallen under intensive shelling thereby materially limiting seamless pipe production capabilities
-  In Q3 2022, production of all types of seamless pipes subdued q-o-q except OCTG. Being the most lucrative product, OCTG production increased by over 50% q-o-q on the back of continuous favorable conjuncture and robust demand in the US market and recovery in Ukraine
-  The latter along with the ease of trade barriers (in June 2022) in the US (Section 232 – 25% safeguard duty for Ukrainian steel products) and EU (the quota and anti-dumping duty for steel products (inc. linepipe)) were key drivers of a strong improvement of the business performance in Q3 despite the mentioned challenges in running its operations
-  Starting from October the Ukraine critical energy infrastructure has fallen under missile and drone strikes incrementally leading to electricity outages since mid November
-  As of today, the stance with power supply has bottomed out, however the current power distribution capacity is still materially below before the pre-strikes level again constraining production capacity utilization
-  Worth nothing to say, that despite recent supplies of new anti-missiles system from Western allies the Ukraine energy system remains vulnerable, and evolution of the situation is unclear and fully dependent on further expansion of weapon supplies and ability to our power engineers to restore damages promptly and establish of reserve electricity supply lines
-  Notwithstanding, Interpipe remains fully committed to its debtholders: in October-November the Company paid off in cash ca USD 38M in total to holders of the Notes 2026 and Performance Sharing Fees and Securities

Pipe market



USA:

- OCTG demand remained at elevated levels in Q3, despite softening oil prices and reduced growth in drilling activity. The U.S. rig count grew by 45 rigs q-o-q in Q3 and 256 y-o-y for the first nine months 2022. The average WTI oil price dropped to 93 \$/b in Q3 2022
- Following the peak in Q2, linepipe prices reversed the trend by losing 4% q-o-q in Q3 amid calming raw material costs. Contrary, OCTG prices hit another high adding 11% over the same period

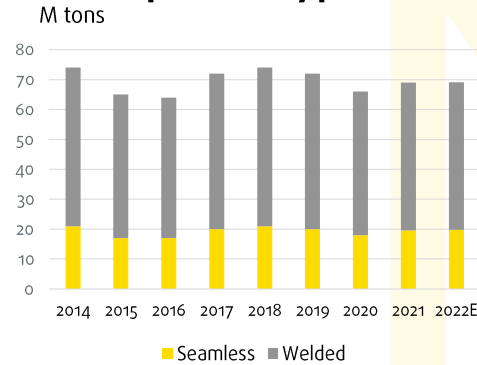
MENA:

- High oil prices continue fueling the demand for seamless pipe in the Middle East. Drilling activity grew modestly in Q3 adding 5 rigs q-o-q, while for the first nine months 2022 the region added 39 rigs
- However, pipe prices showed stable downward dynamics given the high activity of Chinese producers amid low domestic demand in China

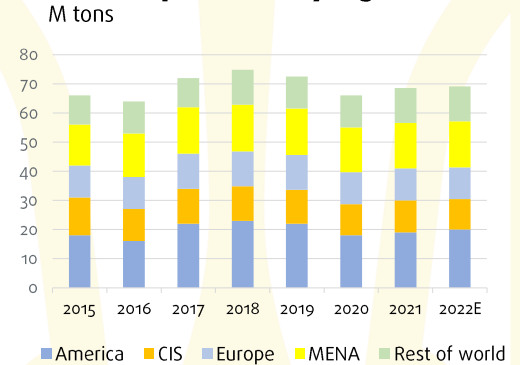
Europe: Inflation and energy security remain region's two key concerns amid the war in Ukraine. Pipe demand in Q3 was stable with prospects unclear. Despite pressures of energy costs, prices kept falling due to weak local demand and uncompetitive position of European mills in export markets

Ukrainian economy is expected to shrink by 35% according to the latest estimations, as opposed to the earlier voiced 45%. Construction industry reports gradual revival of the previously frozen projects, however, there is a reluctance to invest in new construction

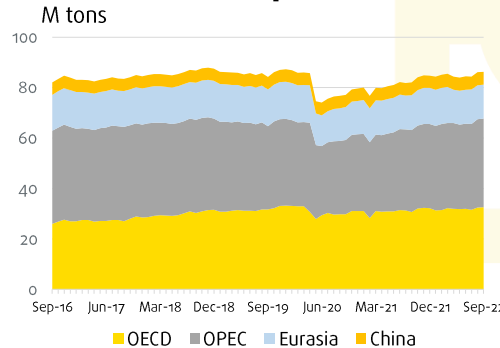
Pipe market by products¹



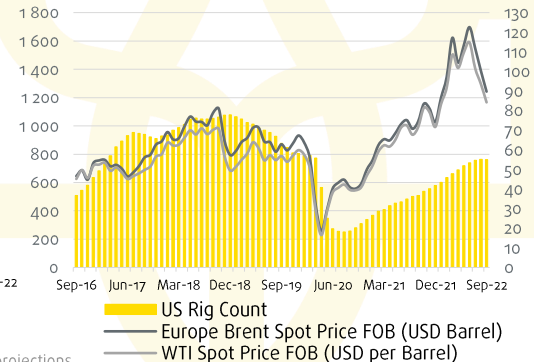
Pipe market by regions¹



Crude oil production



Crude oil price and rig count



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

1. DoC – United States Department of Commerce; 2. GCC – Gulf Cooperation States (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)

Railway product market



Global railway wheel market is expected to get some recovery in Q3 2022 compared to the previous quarter. At the same time escalating energy crisis in Europe and global uncertainty prompted to revise downward forecast for total 2022

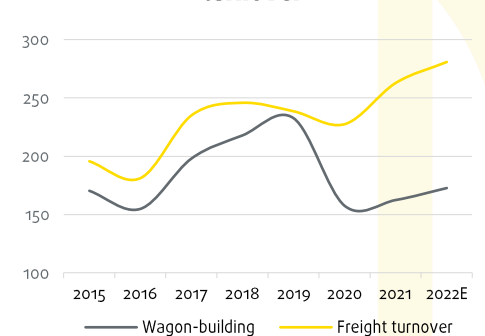
Europe:

- 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 of the UK
- In Q3, supplies of railway products to Europe showed a q-o-q growth of 40% as China's shipments grew up by 76% q-o-q and Ukraine resumed deliveries to the pre-war levels
- By the end of the first nine months 2022, consumption in Europe showed a decline by 9% y-o-y

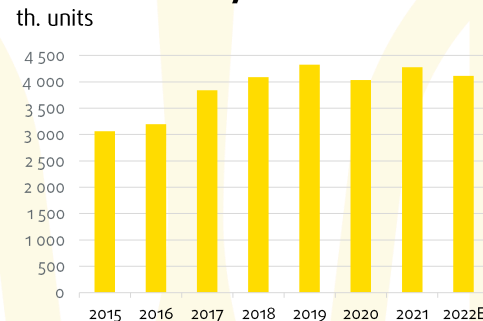
Ukraine:

- Following a significant downturn in Q2 2022, wagon building industry in Q3 showed a minor surge of 4% q-o-q
- The number of active wagon builders is declining due to low demand for new rolling stock forcing them to consider reprofiling production towards the European market
- After-market segment represents around 67% of the total wheel market. Number of wagon repairs by private companies increased in Q3 2022 by 13% q-o-q

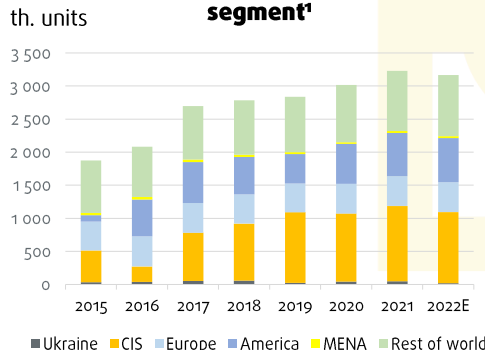
Global markets' wagon building and freight turnover



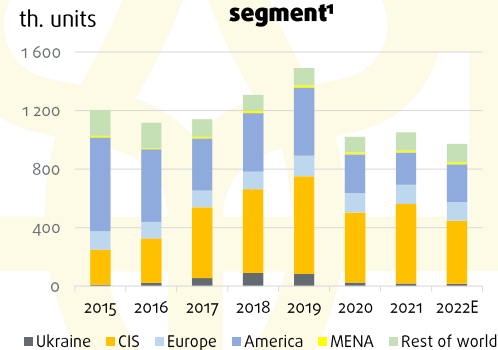
Railway wheel market'



Railway wheels for after-market segment'



Railway wheels for wagon-building segment'

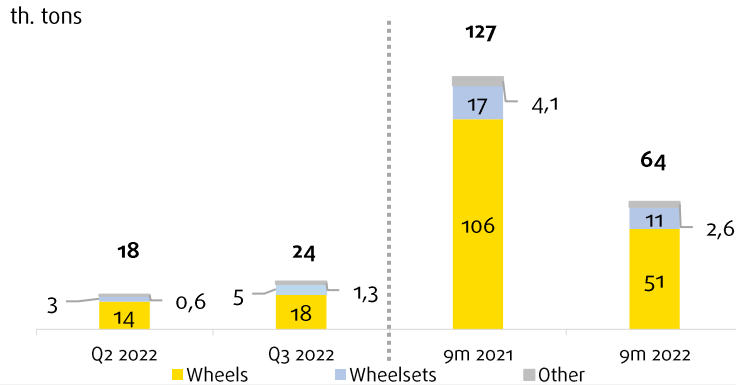


1. Excluding China. 2022 forecasts are as per the management's projections

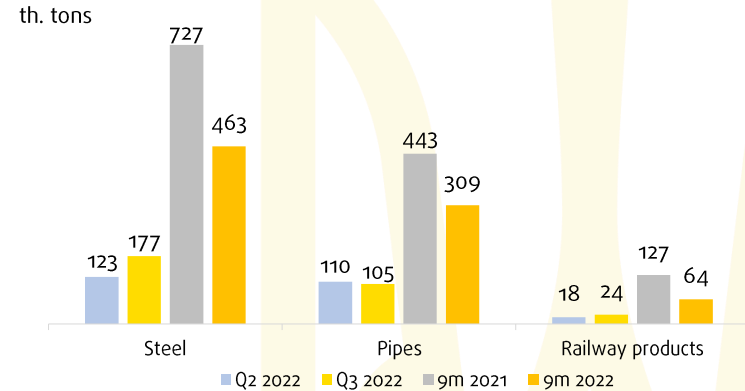
Operational results

- Affected by the shelling of Nikotube the overall pipe production didn't increase in Q3 and even declined by 5% q-o-q due to a slump in welded pipe production
- At the same time, production of seamless pipes standalone inched by 1% q-o-q
- OCTG production hiked by 58% q-o-q driven by the robust demand worldwide but still being 20% y-o-y lower for the first nine months 2022
- Having the overall capacity constraint for seamless pipe this also led to drop in linepipe production by 24% q-o-q
- Railway product manufacturing grew by 38% q-o-q driven by unlocking of export routes and rise of domestic demand

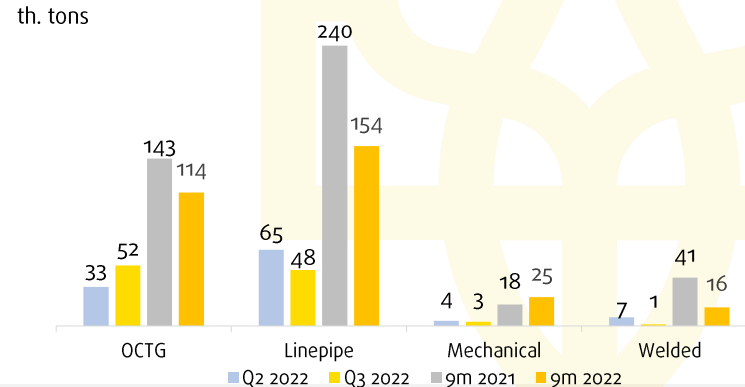
Railway products by type production dynamics



Production dynamics



Pipes by type production dynamics



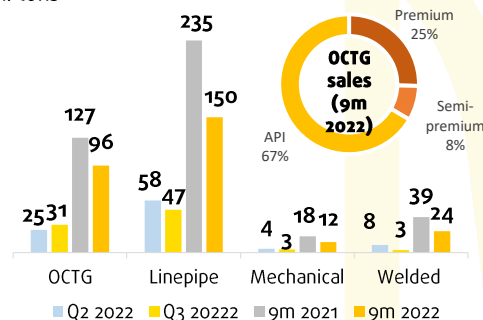
Pipe segment: Sales portfolio



- In Q3 2022, sales volumes fell down by 11% q-o-q on the back of the constrained seamless pipe production capacity. The cumulative sales for the first nine months 2022 declined by 33% y-o-y
- Hence, in Q3 the Company had to prioritize its production capacities in favor the most lucrative products and geographies that were mostly sales of OCTG to Ukraine and both OCTG and linepipe to the US
- Total OCTG sales volumes grew by 23% q-o-q; however, linepipe volumes dropped by 18% q-o-q
- Domestic** sales grew by 62% q-o-q in Q3. The key driver were OCTG sales with +180% q-o-q in Q3 and +96% in the first nine months 2022 y-o-y
- Sales of both OCTG and linepipe to **America** increased by 14% q-o-q in Q3 leveraging the elevated prices in the US market that more than attractive to compensate sky rocketed logistics costs and the current transportation shoulder of 3-4 months.
- At the same time, given exactly the lengthy current transportation shoulder a big chunk of outbound shipments to the US were still on their way and to be recognized in volumes sold in Q4
- On the other side, **Europe** sales declined by 44% q-o-q in Q3 amid a sharp drop in shipments of linepipe and sales to **MENA** showed a 19% drop (driven by a significant decline in OCTG sales at -84% q-o-q) on the back of unfavorable market conjuncture and pricing

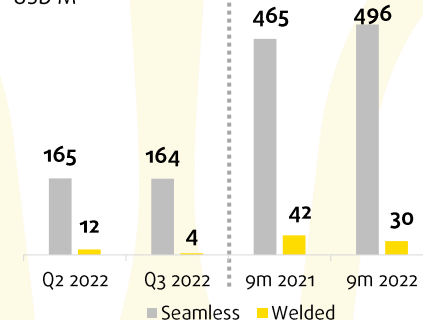
Pipe sales volumes by production type

th. tons



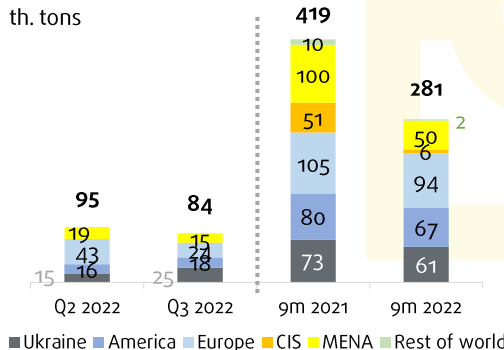
Pipe revenue by product type

USD M

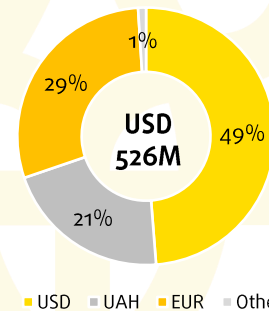


Pipe sales volumes split by region

th. tons



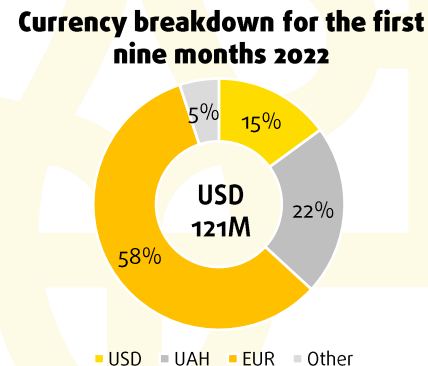
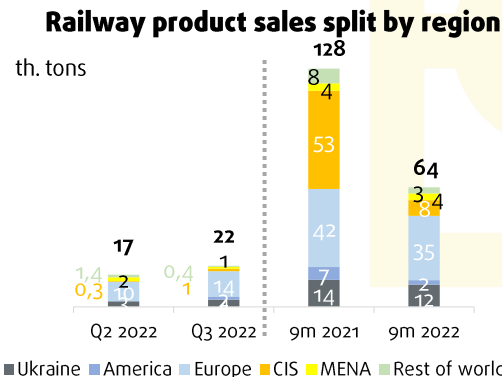
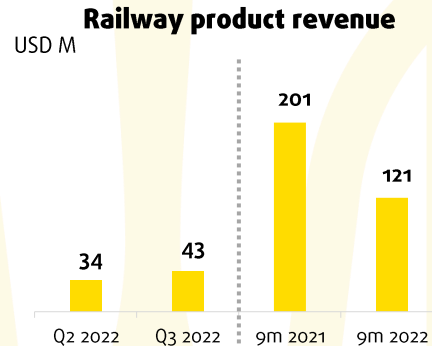
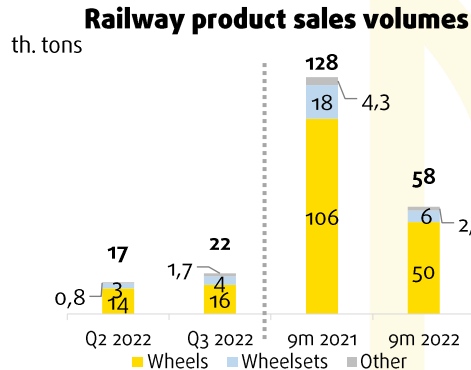
Currency breakdown the first nine months 2022



Railway product segment: Sales portfolio

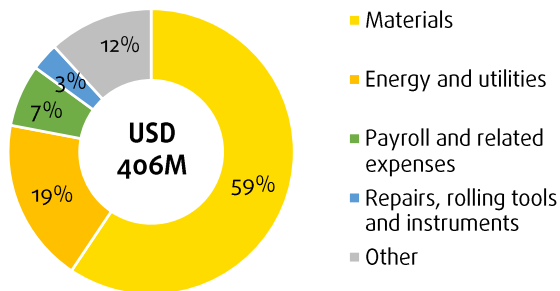


- In Q3 2022, railway products sales grew by 27% q-o-q following the resumption of production and recovery in sales to Europe and Ukraine. At the same time, the sales level was far below the pre-war ones – i.e. sales for first nine months 2022 halved y-o-y
- Ukraine.** Domestic sales recovered by 26% q-o-q in Q3 2022. For the first nine months 2022 they were lower by 17% y-o-y. After-market segment was less affected than wagon-building industry, since exporters turned to railway transportation due to the blocked seaports
- Europe.** Europe became the main direction for Interpipe’s railway product sales in 2022 and grew up in Q3 by 29% q-o-q getting back to the monthly sales level of the previous year.
- However, for the first nine months 2022 total sales to Europe decreased by 17% y-o-y
- MENA, America and ROW** became an alternative opportunities performe to the CIS market that fell off, however due to usually lengthy transportation shoulder and increased transportation costs orders have been selected based on an economical rationale

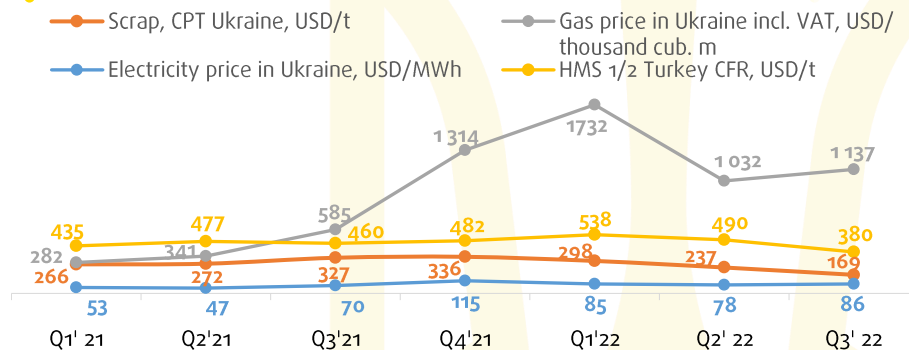


Cost structure for the first nine months 2022

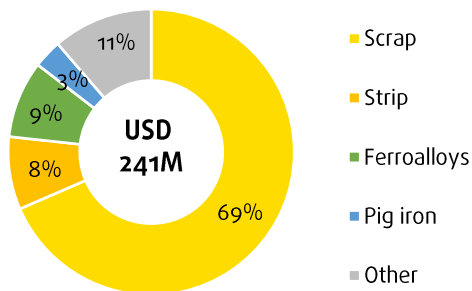
Cost of Sales breakdown¹



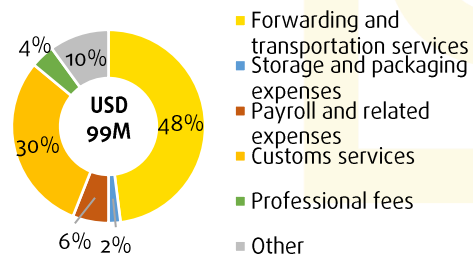
Evolution of prices for scrap and natural gas



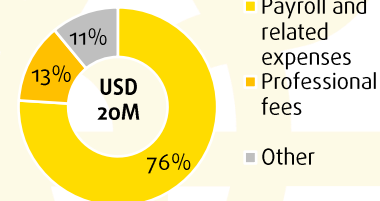
Materials breakdown



Selling & Distribution costs¹



General & Administrative costs¹

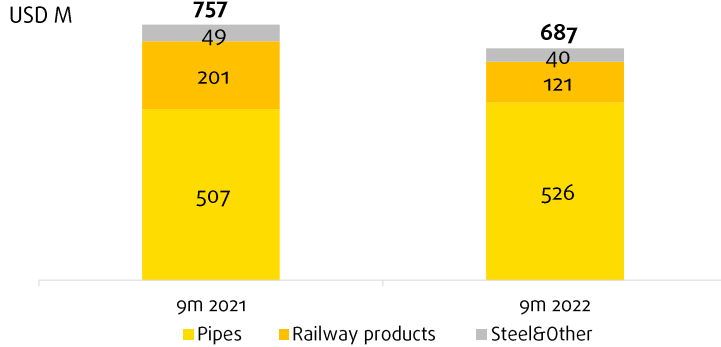


1. Net of Depreciation & Amortization item
 2. Prices converted from UAH into USD at average USD/UAH rates for respective periods
 3. UEX weighted average prices on all payment terms

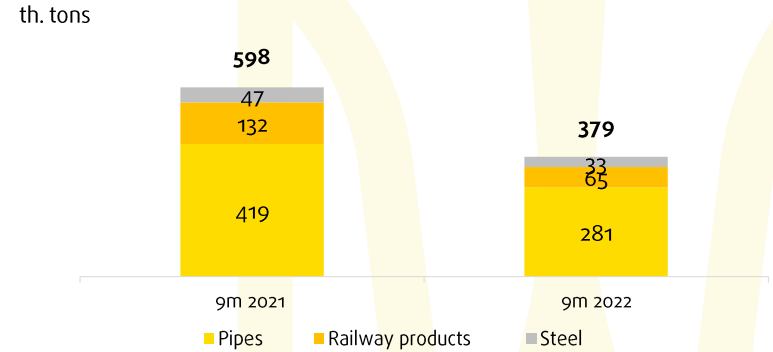
Financial Highlights¹ of the first nine months 2022



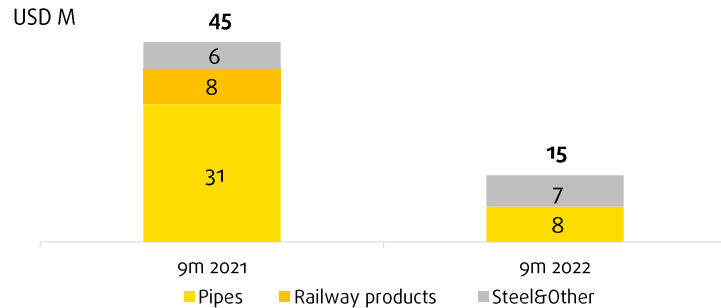
Revenue



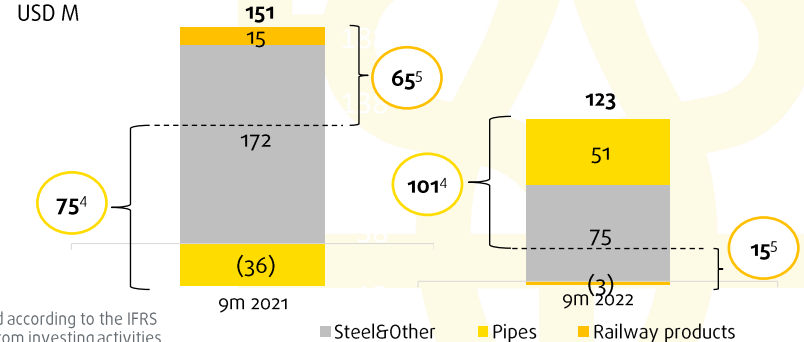
Sales volumes



Capex²



EBITDA³



1. Financial figures are presented based on the unaudited consolidated financial statements for the first nine months 2022 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

In Q3 2022, EBITDA¹ more than doubled q-o-q and grew for the second consecutive quarter (totaling USD 73M) mainly driven by :

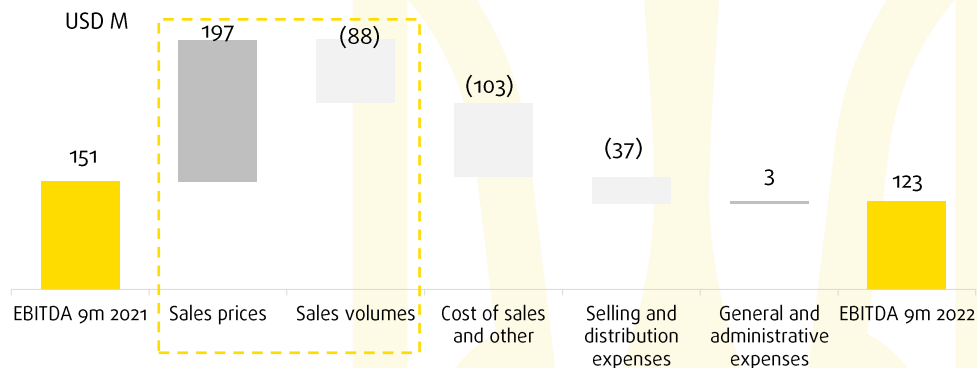
- Continuous favorable market environment for seamless pipes in the US (high prices and robust demand) where the Company succeeded in ramping up volumes of OCTG sold and recovery in demand for pipes in Ukraine
- Suspension of the trade barriers in the US and EU
- Further depreciation (in USD terms) of scrap sourced in Ukraine by 29% q-o-q that partially compensated appreciation of natural gas (by 10% q-o-q) and electricity (by 33% q-o-q)

Following the robust EBITDA generation, the y-o-y lagging of EBITDA for the first nine months 2022 tightened to -19% y-o-y

At the same time, despite a substantial positive contribution of price factors the business performance in 2022 in general remained adversely impacted by:

- 37% y-o-y loss of the total sales volumes for the first nine months 2022 (esp. in the railway product segment that more than halved)
- Steep global y-o-y appreciation of natural gas and electricity
- Sky rocketed logistics and transportation costs triggered by the ongoing military actions in Ukraine

Revenue effect for the first nine months 2022 = + USD 109M

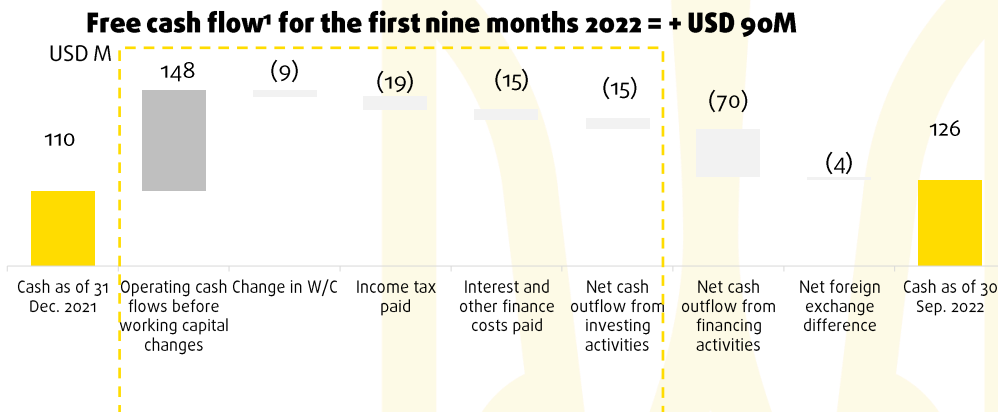


¹ EBITDA is calculated as an operating profit (or loss) plus depreciation and amortization charges, plus impairment of property, plant, and equipment and intangible assets, plus loss / (gain) on disposal of property, plant, and equipment, plus extraordinary losses / (gains)

Cash flow

Free cash flow for the first nine months 2022 amounted to USD 90M as:

- The Company continued a robust conversion of EBITDA into cash (i.e. 86% ratio in Q3 2022)
- Changes in Working Capital remained to be slightly negative (- USD 9M) as in Q3 2022 additional outlays amounted to USD 6M only
- The Company stays committed to duly paying taxes and servicing its financial indebtedness during the wartime (USD 34M in total)
- Capex program remained scaled down and limited mostly to maintenance Capex as major projects were postponed (USD 6M in Q3 and USD 15M in total for the first nine months 2022)



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 September 30, 2022, **Consolidated Total Debt¹** amounted to **USD 406M** 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 36M**
- Carrying value of the **Performance Sharing Fees and Securities** declined to **USD 72M**

Cash & Cash Equivalents¹ amounted to **USD 137M** that resulted in **Consolidated Total Net Debt¹** to increase up to **USD 269M**

As of September 30, 2022, **Consolidated Net Leverage Ratio¹** (Total Net Debt to EBITDA) improved to **1.3x** mainly amid the robust business performance in Q3 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 were contractually concluded

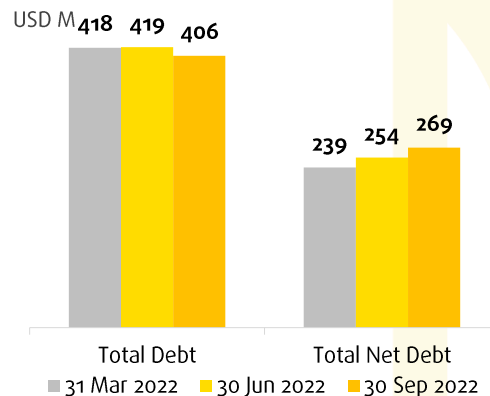
The first annual installment under the **Performance Sharing Fees and Securities** for the testing period (July 1, 2021 – June 30, 2022) in amount of **USD 25M** was duly **paid off** in October 2022

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

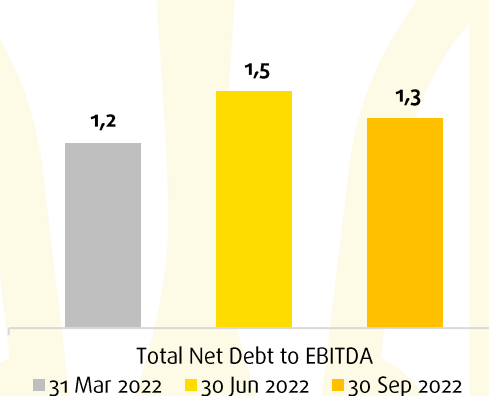
1. Total Debt, Cash & Cash Equivalents, Total Net Debt, Consolidated Net Leverage Ratio are calculated subject to the Terms and Conditions of the Notes 2026 set out as Schedule 1 to the Trust Deed

2. Debt maturity profile is presented at nominal value of the debt instruments and net of carrying value of the Performance Sharing Fees and Securities. Current US:EUR rate=1,06

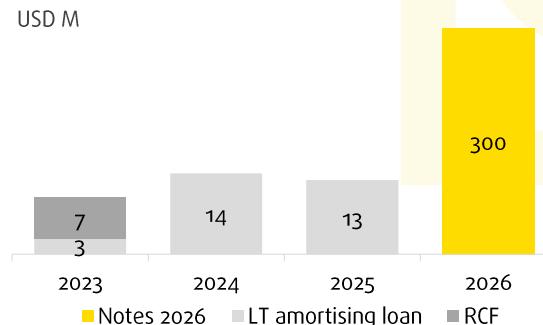
Debt Quantum¹



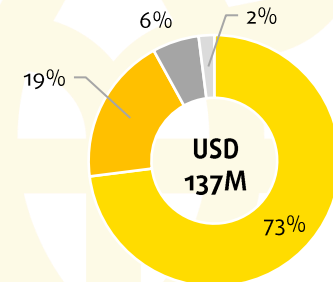
Consolidated Net Leverage ratio¹



Current Debt maturity profile²



Cash & Cash Equivalents¹ currency breakdown as of September 30, 2022



■ USD ■ EUR ■ UAH ■ Other



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