3 months 2020
Operational and Financial Overview

INTERPIPE

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Key highlights for first quarter of 2020

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Q1 2020 saw a mixed performance across segments: the deterioration of operational and financial results in the pipe segment that had started in H2 2019 accelerated, at the same time the railway product segment still kept momentum and showed sound results

In Q1 2020 the pipe segment underperformed in all types of pipes due to low oil prices and on the back of the first impact of COVID-19 end of March:

- Sales of welded and mechanical pipes slumped more than in twice y-o-y
- OCTG lost a third comparing to Q1 2019 due to a soft demand attributable to the US and Ukrainian markets
- At the same time linepipe sales suffered less (a 12% y-o-y decline) primarily due to shipments to the MENA and European markets

Progressively declining demand in key markets and margins shrinking had led the pipe segment quarterly EBITDA to a negative area having continued the pace of Q4 2019 when it was first time negative for a few years prior

Unlike the pipe segment the railway product segment hit record high quarterly EBITDA. However it was mainly amid the contracts signed in 2019 which effectively resulted in a limited cash inflow due to release of advances received in Q4 2019

Q2 2020 business environment update and outlook (1/2)

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- Negative impact of COVID-19 outbreak and oil&gas downturn in the pipe segment became more defined in April resulting in further slump of sales (esp. in OCTG) and fully crystalized in May
- Contraction of the world economies also made most of them to switch to certain protectionism measures imposing additional trade barriers which has set more challenges vis-à-vis the Company in already challenging market environment:
  - The EU Commission following Eurofer's solicitation has changed quota regulations on imported steel products and steel pipes (to be valid starting from 1 July 2020 until 30 June 2021): instead of annual quotas they have introduced quarterly ones which affect linepipe produced by the Company being the key market for this product and complicates administration of its production and sales processes as well as application for other countries' quotas once the quotas for Ukraine are yet fully utilized
  - Addressing ongoing trade war actions formerly "duty-free" markets of the MENA have also introduced import duties for steel and steel products under which seamless pipes produced by the Company also fall:
    - Turkey has set duties at 10% for the period starting from 20 May 2020 until 30 September 2020, and at 5% - thereafter
    - Saudi Arabia increased the duty up to 10% (the upper bound permitted by the WTO) starting from 10 June 2020
- Sales of railway products were more or less stable in April and May amid a stable demand from the EU and Customs Union. The latter was keeping the pace to accumulate stocks of wheels in anticipation of reinstation of the 34.22% antidumping duty
- At the same time, we have been observing numerous signs that the CIS and CU markets beyond the natural saturation we had been expecting by mid-2020 were much more undermined by COVID-19 related lockdowns having led to freezing of wagon building and slowdown of wheel after-market
- Starting from 1 June 2020 the Eurasian Commission reinstated the 34.22% antidumping duty (valid until 31 January 2021). This action together with yet shrinking CIS railway product market materially challenges the Company's ability to keep its market share and will lead to reduction of volumes and prices and margins tightening

Q2 2020 business environment update and outlook (2/2)

Therefore, the Company's management operating in a very unfavorable environment in both pipe and railway products markets simultaneously remains focused on preservation of liquidity and further cost optimization:

- All expansion Capex projects were postponed
- Maintenance Capex is being optimized given capacities free up due to lower production
- Over 1,500 operational personnel (both in the pipe and railway products segments) have received notifications on dismissal
- Part of administrative and office staff has been switched to a 4-working day week
- Proactive Working Capital management remains one of key objectives
- Raw materials and energy resources saving programs have been introduced
- C&B for operational personnel have been modified to align it maximally with the Company's operational figures

The management also contemplates the following anti-crisis market initiatives and opportunities:

- Focus and expand in the MENA market in the pipe segment
- Endeavor to redirect sales volumes of railway products which will be lost in the CIS market to Europe and new markets as the Company's capacities are relatively limited here given different wheel types used in the CIS and rest of the world
- Recent introduction of the 51.52% antidumping duty for Chinese steel seamless pipes by the Ukrainian government (comes in force on 27 June 2020 and will be valid for 5 years) is expected to provide a positive impact on the Company's domestic sales volumes in mid-term and long-term

Pipe market

- The dramatic consequences of COVID-19 related shutdowns affected all key markets being overstocked coupled with a collapsed demand in March
- The U.S. economy shrank at 5% annual rate in Q1 2020. The EU economy dropped by 3.5% q-o-q and by 2.7% y-o-y
- Global fuel demand tumbled by a third due to COVID-19 related lockdowns and business shutdowns. End of Q1 2020 oil prices were down more than in twice y-o-y and effectively zeroed out financing of construction and oil projects in the MENA
- The oil&gas industry has always been the main consumption segment for OCTG and linepipe. However, in March 2020 oil&gas operators announced capital expenditure cuts, as they sought to insulate themselves from the worst effects of the growing market downturn
- Rig count in the US went down by 4% q-o-q in Q1 2020 to 728 by the end of March and 25% y-o-y. Following COVID-19 outbreak the slump accelerated to 35% m-o-m within 2 consecutive months: 465 – end of April and 301 – end of May
- In Q1 2020 industrial and construction sectors weighed down across the world. Global construction companies suffered from huge disruption in supply chains which will cause obviously unprecedented repercussions on their output in Q2 and Q3 2020
- Ukrainian gas drilling market followed a global negative trend as gas price lowered to ca. USD 80 per a thousand cubic meters at the TTF leading to record low footage drilled. Economic instability and decelerated residential construction output hit linepipe market in Q1 2020

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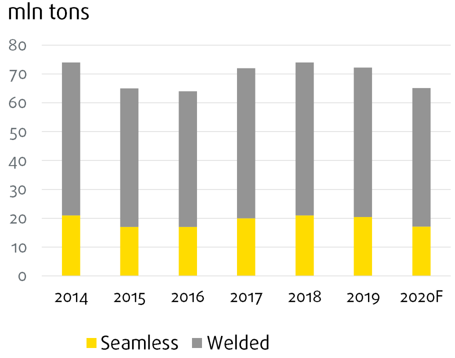
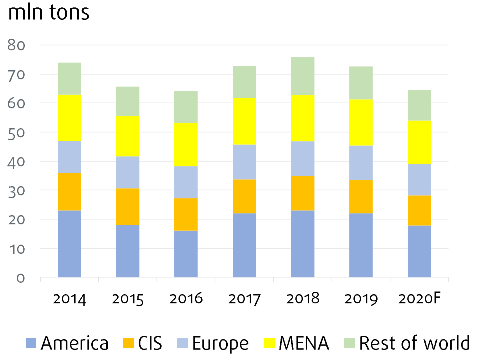
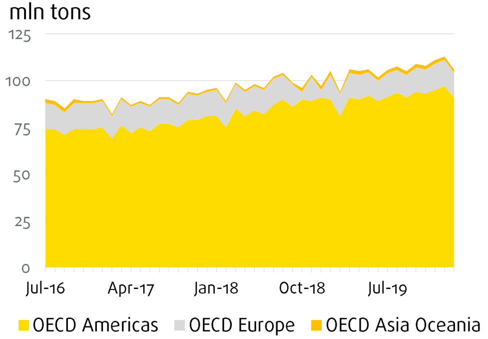
Pipe market by products[1]



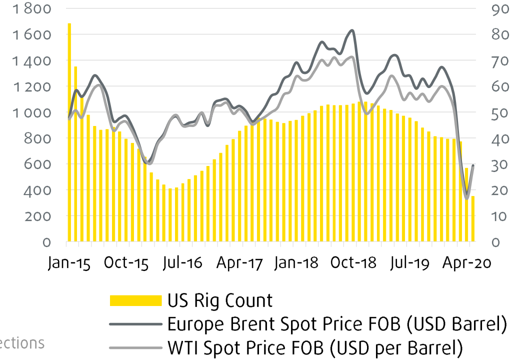
Pipe market by regions[1]



Crude Oil production



Crude Oil price and Rig Counts

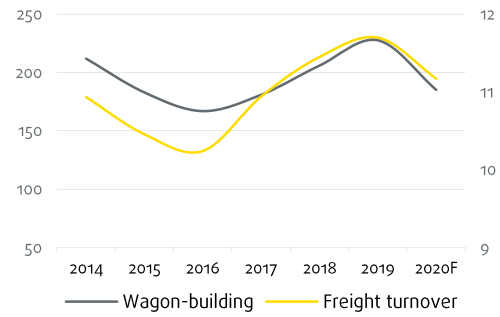


1. Excluding China. 2020 forecasts are as per the management's projections

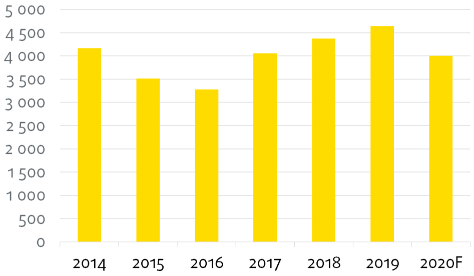
Railway product market

- In Q1 2020 railcar manufacturing in the Customs Union fell by 18% y-o-y, while increased in other CIS countries (in Uzbekistan – tripled, in Georgia – rose by 44% y-o-y)
- The railway wheel after-market segment in the CIS was supported by the sustainable demand from freight wagon repairing companies in Russia. At the same time, COVID-19 quarantine has almost frozen operations of a number of wagon-building plants in Russia since April
- In Q1 2020 Ukrainian railway wheel market declined by 5% y-o-y on the back of weakened railcar manufacturing demand, which fell by 63% y-o-y. Main orders came from private customers while the state-owned Ukrzaliznytsya (Ukrainian Rail) did not finance manufacturing of rail cars
- COVID-19 pandemic triggered full-scale lockdowns across the globe, including Europe: passenger rail transport plunged by over 90%, for example in Italy and France, and only by 40% in Sweden, which adopted a less-draconian approach to dealing with the pandemic
- Rail freight transport in Europe has been progressively affected starting from April - operators were reporting slowdowns of 20-35%, according to SCI

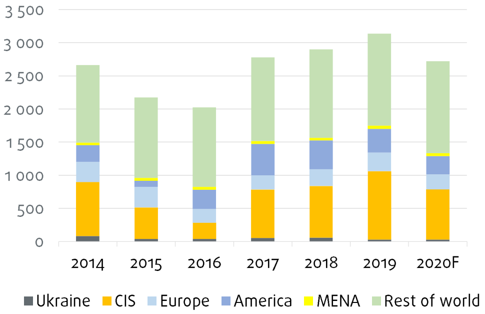
Global markets' wagon building and freight turnover



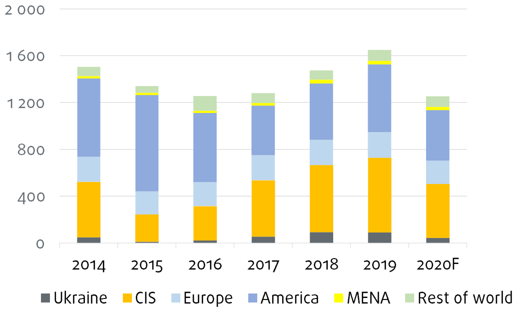
Railway wheel market[1]



Railway wheel for after-market segment[1]



Railway wheel for wagon-building segment[1]

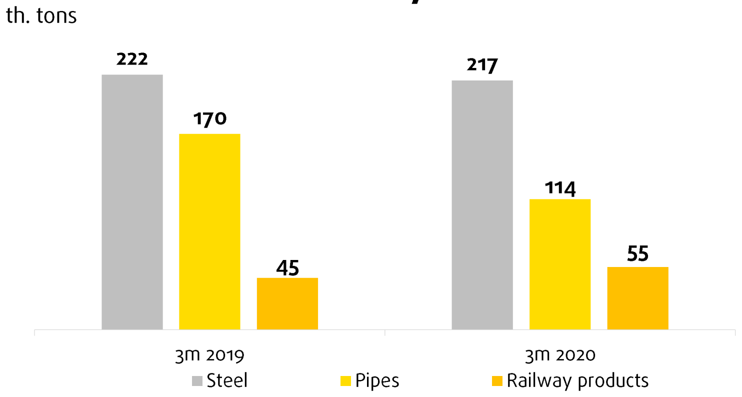


1. Excluding China. 2019 forecasts are as per the management's projections

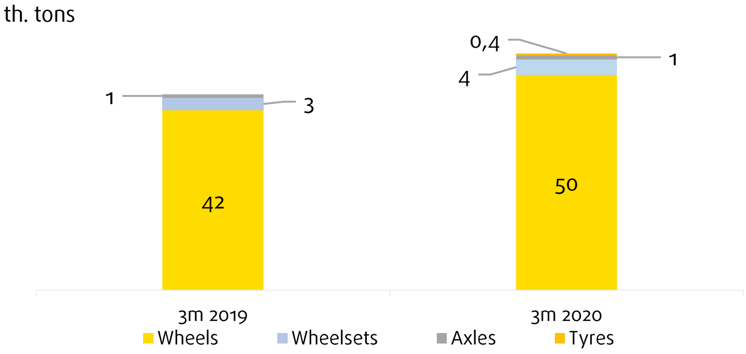
Operational Results

- 3m 2020 production figures and dynamics fully reflected the sales pattern of the Company within this period when sales were fully driven by a demand at the respective markets and regions
- In Q1 2020 pipe production went down materially by 33% y-o-y due to a low oil price environment and weak demand in the Ukrainian market which at most depressed production of welded (48% y-o-y down) and OCTG products (52% y-o-y down)
- Railway product production figures rose by 21% y-o-y amid yet strong pre-COVID 19 demand in the CIS and European markets
- At the same time, steel production remained fairly flat (went down just by 2% y-o-y) due to a different product mix y-o-y, more external sales of own steel billets in Q1 2020 and external purchases of ca. 20 thousand tons of billets in Q1 2019

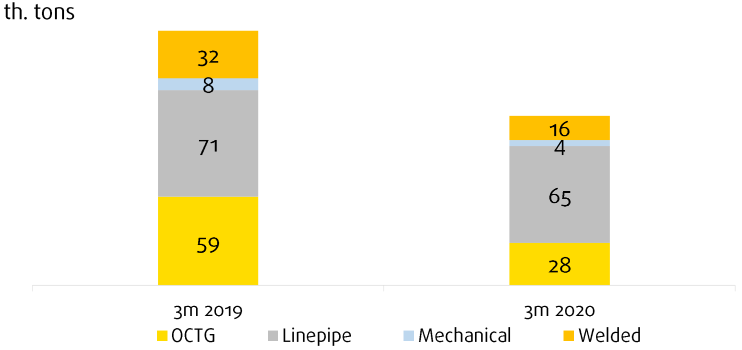
Production dynamics



Railway products by type production dynamics



Pipes by type production dynamics



ESG update

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- In Q1 2020 the Company was focusing on several environmental and energy efficiency projects related to waste utilization and recovery, urban greening and switching to energy saving lighting of production facilities.

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- From the very beginning of COVID-19 outbreak the Company has taken very seriously all potential risks related to this disease and been committed to procurement of the sustainable production activity on its facilities with the priority focus on protection of health and wellbeing of employees
- Up to date the Company jointly with its shareholders have donated **UAH 114 mln (over USD 4 mln)** to sustain against the virus spreading and support the healthcare of Ukraine
- The Company via its charity fund "Revival of the Region" has engaged 105 regional companies and individuals having accumulated UAH 10.6 mln to fight against COVID-19
- 24 hospitals and medical facilities in Dnipropetrovsk region have received the donations from Interpipe and the charity "Revival of the Region"
- Interpipe has been taking an active role in social projects with local schools and universities to promote and encourage technical and engineering profession selection – in February 2020 the Company launched 3 large projects in Dnipro
- In Q1 2020 Interpipe paid **UAH 803 mln (over USD 31 mln)** of taxes (incl. CIT) and duties to state budgets of all levels and extra-budgetary funds (for the periods of 2019 and 2020)
- A single injury (LTI) happened at production facilities of the Company within Q1 2020
- Interpipe spent on heath&safety UAH 14 mln (over USD 0.5 mln) in Q1 2020

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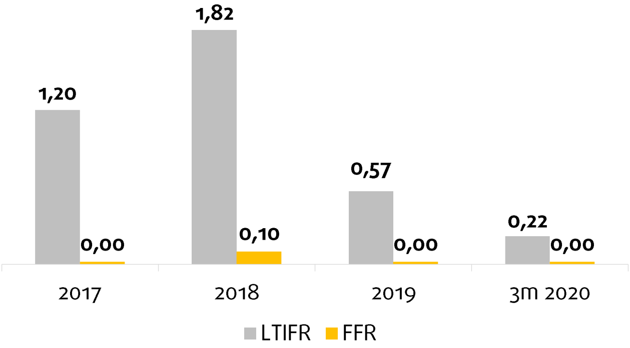
- Two new **Independent Directors** have joined the Board of Directors of Interpipe: **Fiona Paulus** and **Tom Kearney**

  They are business professionals in finance, capital markets and risk management with both local and international experience that should contribute diversity and new expertise to the Board of Directors

  The Board of Directors now consists of **nine directors**, with **eight** of them are **Non-Executive** and **three** of them are **Independent Directors**. The composition of the Board of Directors is available on the website following [the link]

LTIFR[1] and FFR[2]



1. The lost time injury frequency rate (LTIFR) is a number of lost time injury cases per 1 mln man-hours
2. The fatality frequency rate (FFR) is a number of fatality cases per 1 mln man-hours

Pipe Segment: Sales portfolio

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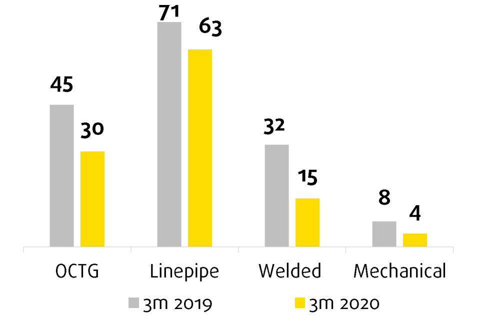
- In Q1 2020 seamless pipe revenue dropped by 36% y-o-y and welded pipe revenue slumped by 63% y-o-y:
  - OCTG: sales volumes declined by 33% y-o-y (resulting in a revenue loss of 45% y-o-y) due to a subdued demand and declining pipe prices in oil&gas sector
  - Linepipe: sales volumes declined by 12%y-o-y (revenue loss of 27% y-o-y) along with a slowdown in construction and oil&gas sectors
  - Mechanical pipe: sales volumes dropped by 48% y-o-y bringing a commensurable decline in revenue
  - Welded pipe: sales slumped by 53% y-o-y with a decline in revenue of 65% y-o-y
- In Ukraine, a dampened drilling and gas production along with decline in construction sector resulted in plunged domestic sales of 56% y-o-y and revenue decline of 65% y-o-y
- Volumes sold to the American market fell by 64% y-o-y undermined by price wars between major oil&gas producers and reduction of their CAPEX and procurement plans
- European market being the largest consumer market for the Company's pipe products was overstocked which led to a 7% y-o-y decline in sales volumes in Q1 2020
- The Company managed to expand shipments to the MENA region primarily thanks to OCTG tenders in Iraq and Nigeria
- In Q1 2020 the share of the pipe segment revenue coming from export sales grew to 78% as compared to 65% in Q1 2019

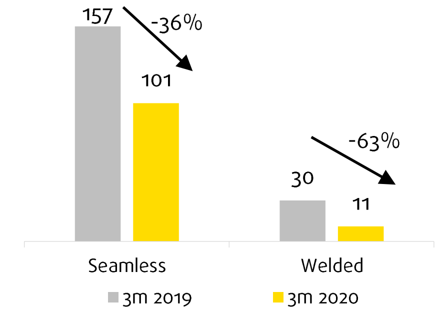
Pipe sales volumes by production type

th. tons

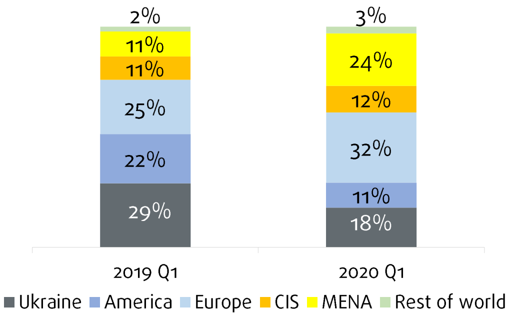


Pipe revenue by production type

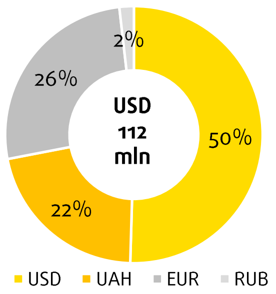
USD mln



Pipe sales volumes split by region[1]



Currency breakdown in 3m 2020



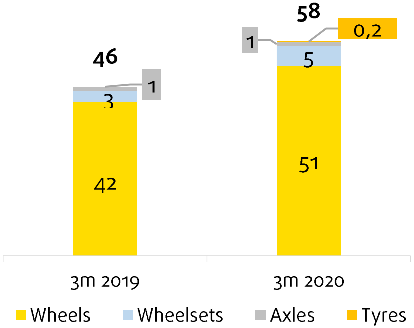
1. Physical volumes split (in tons sold)

Railway product segment: Sales portfolio

- In Q1 2020 the railway product revenue surged by 66% y-o-y while sales volumes grew by 27% y-o-y amid a robust demand and overall price appreciation within the CIS region and Europe
- Sales to the CIS countries comprised larger part of the total volumes sold in Q1 2020 (ca. 45%) due to a market supply deficit amid a high level of rail car production and after-market operations yet not jeopardized by COVID-19 outbreak consequences. Revenue growth reached 69% in Q1 2020 as compared to the same period of 2019
- Domestic sales volumes in Ukraine were fairly flat with orders mostly from private railcar builders and operators who imported used rail cars from Russia due to a scarcity of available rolling stock to secure freight turnover.
- The European region had exhibited a robust demand in freight wheel segment from railcar operators and has been yet a stable customer during the recession time. During 2018-2019, the share of sales in Europe had been sustainably growing and peaked at 30% in Q1 2020 due to higher sales in the freight wheel segment. Revenue increased by 51% y-o-y amid both to higher volumes and better pricing
- In Q1 2020 76% of the railway product revenue came from export sales which was quite stable as compared to the Q1 2019 export share of 77%

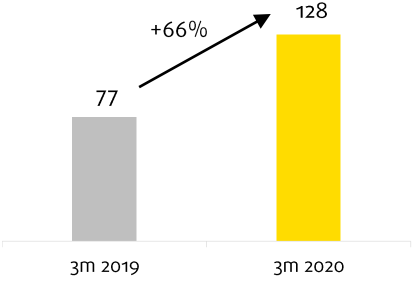
Railway product sales volumes

th. tons

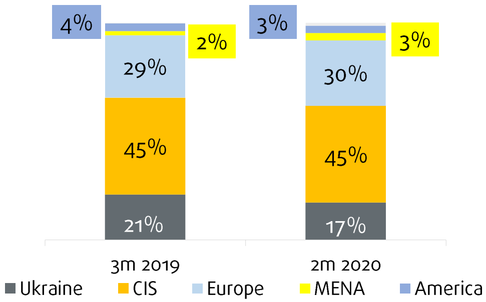


Railway product revenue

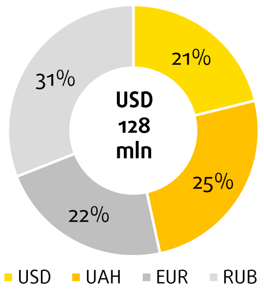
USD mln



Railway product sales split by region[1]

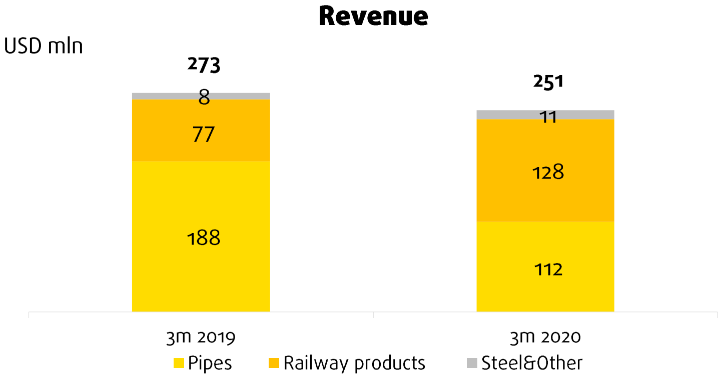


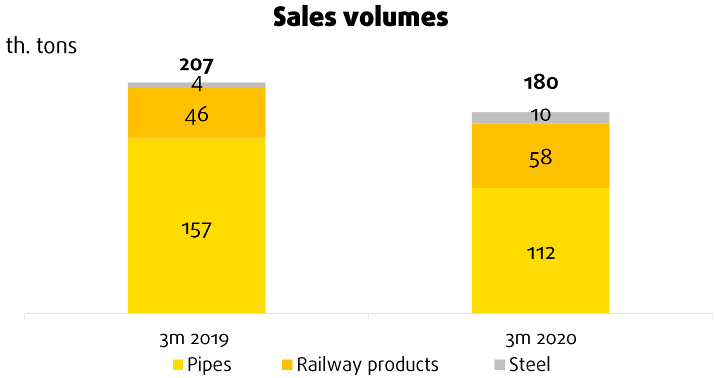
Currency breakdown in 3m 2020

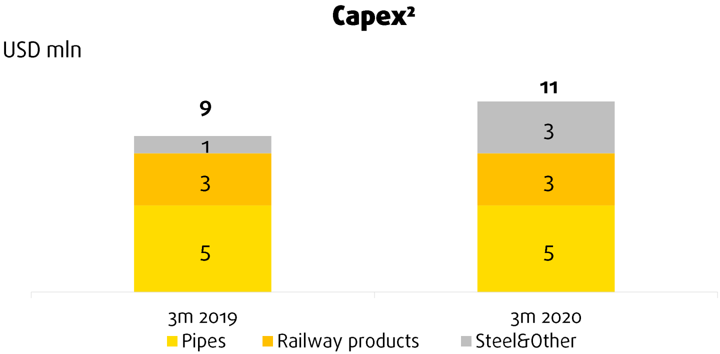


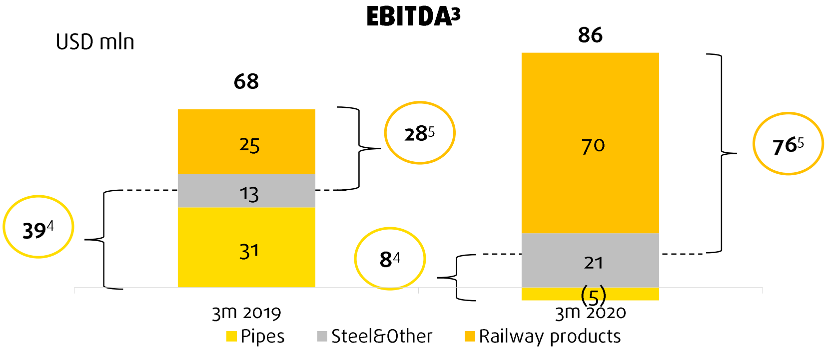
1. Physical volumes terms split (in tons sold)

Financial Highlights[1]





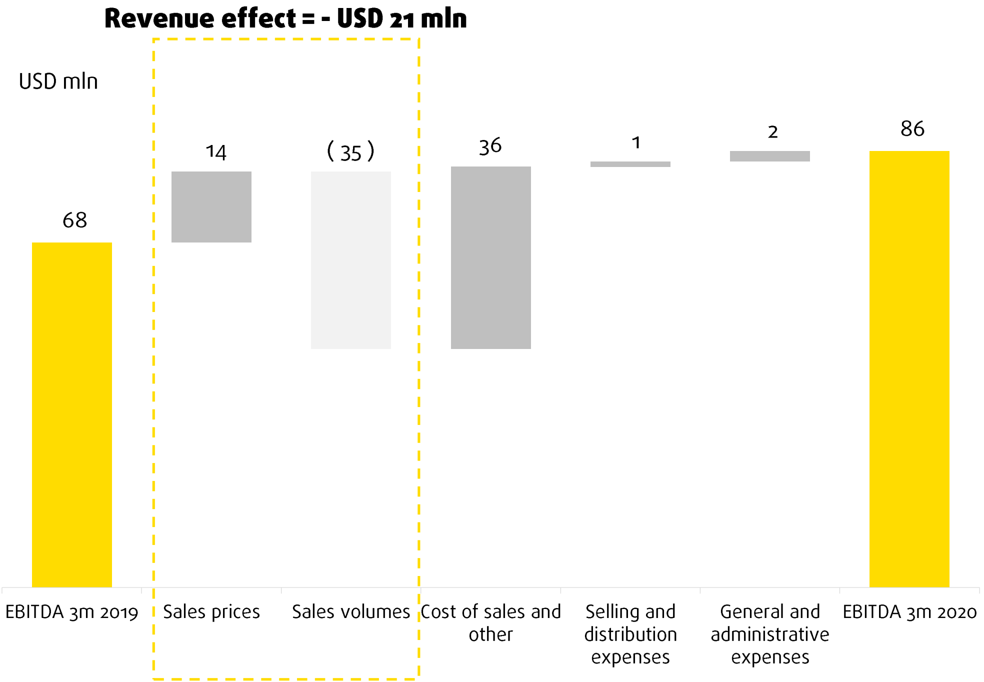




1. Financial figures are presented based on the unaudited consolidated financial statements for the 3 months 2020 prepared according to the IFRS
2. Capex figure represents the line Purchases of property, plant and equipment and intangible assets as part of the net cash flow from investing activities
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 foreign exchange cash flow hedges effect, plus extraordinary losses / (gains), and plus operating foreign exchange gain/(loss)
4. EBITDA of the pipe segment on a pass-through basis reallocating of 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 of the relevant portion of EBITDA from the steel segment to the railway product segment

EBITDA

- The 3m 2020 EBITDA[1] increased by 26% y-o-y and amounted to USD 86 mln
- As during 2 prior consecutive quarters the railway product segment had been the main contributor to the EBITDA growth: its pass through EBITDA hiked by 2.8x y-o-y hitting its record high of USD 76 mln which comprised 89% of the total 3m 2020 EBITDA
- The standalone pipe segment 3m 2020 EBITDA continued shrinking and resulted in a loss of minus USD 5 million
- At the same time the pipe segment pass through EBITDA slumped by 80% y-o-y but stayed marginally positive at USD 8 mln only thanks to the contribution margin of the steel segment. It represented only 9% of the total 3m 2020 EBITDA (vs 69% in the 3m 2019 EBITDA)
- The 3m 2020 EBITDA growth was the product of a number of mixed drivers including but not limited to:
  - The main driver remained unchanged – it was an increase in railway product sales volumes and prices due to a robust demand in the CIS and EU markets
  - Drastic global decline in pipe sales volumes and prices (esp, in OCTG) on the back of the oil&gas downturn and inception of COVID-19 pandemic that was slightly sustained by growth of sales volumes in the MENA region
  - Cash production costs reduction driven by (a) decline in pipe production volumes; (b) lower prices for key raw materials (e.g. average scrap price in Ukraine fell by 33% y-o-y) and natural gas (down by 42% y-o-y on average)



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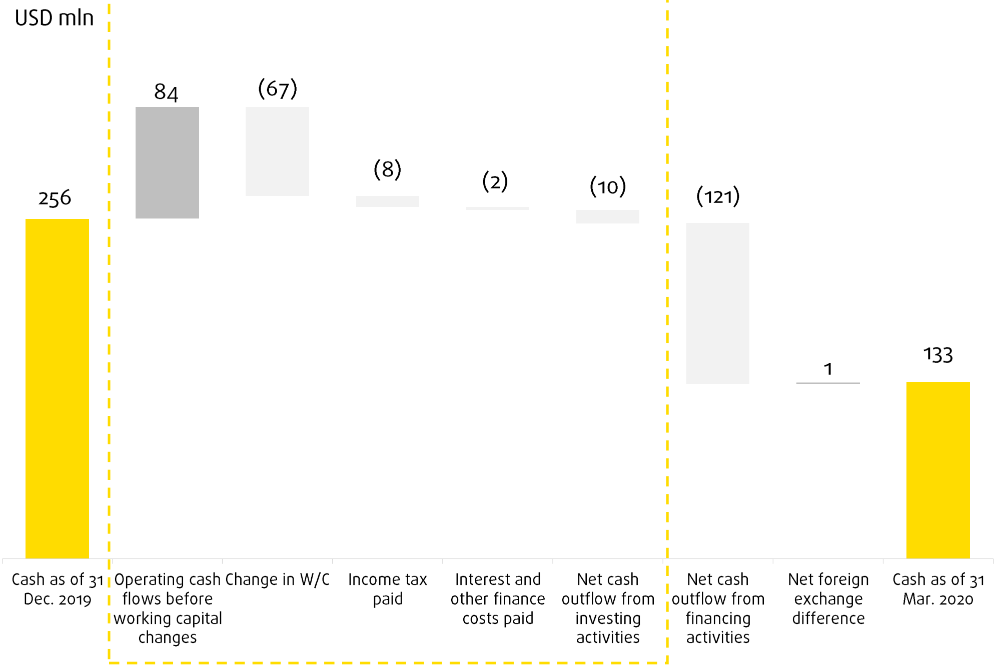
Cash flow

- The 3m 2020 Free cash flow[1] was marginally negative (minus USD 4 mln) and primarily driven by:
  - Operating cash flow before working capital changes amounted to USD 84 mln (with 98% EBITDA conversion)
  - Increase in working capital (USD 67 mln)
  - Income tax payments (USD 8 mln)
  - Moderate investment program (USD 11 mln)[2]
- Negative working capital change was almost entirely related to a release (reverting) of advances received from CIS railway product off-takers in Q4 2019 (ca. USD 68 mln eqv.)
- Net cash outflow from financing of USD 121 mln was attributable to debt repayments

Free cash flow = -USD 4 mln



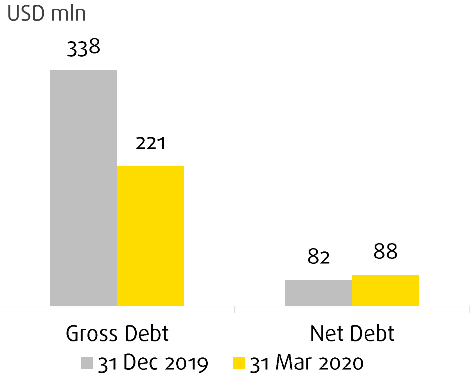
1. Free cash flow is calculated as the net cash flow from operating activities less the net cash flow from investing activities
2. Net cash outflow from investing activities consists of USD 11 mln of Capex net of USD 0.5 mln of interest received

Debt profile

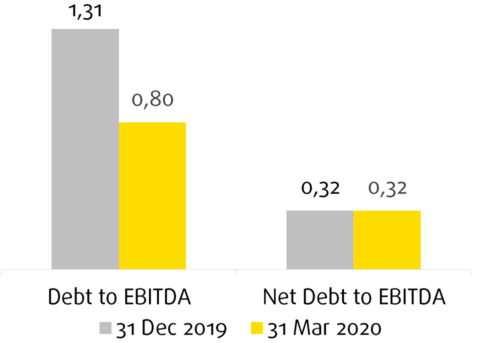
- **In Q1 2020,** the Company:
  - partially **redeemed the Notes** in amount **of USD 98.5 mln** (the Notes principal stayed at USD 210.7 mln as of 31 March 2020)
  - **repaid USD 22.5 mln of the Working Capital facilities** (having repaid them in full)
- Following these repayments **Gross Debt went materially down by 35% to USD 221 mln** as of 31 March 2020, at the same time Net Debt inched up to USD 88 mln
- Consolidated Leverage ratio (Debt to EBITDA) improved **to 0.80x**, while Consolidated Net Leverage ratio (Net Debt to EBITDA) remained flat at **0.32x**
- As of 31 March 2020, **Cash & Cash Equivalents** amounted to **USD 133 mln** of which **97%** were held **in hard currencies** (USD and EUR)
- As of 31 March 2020, the carrying values of the Exit Fee and Performance Sharing Fees and Securities amounted to USD 25.1 mln and USD 61.1 mln, respectively (**USD 86.2 mln in total**)

1. The Gross Debt is calculated subject to the terms of the credit documentation under the Notes (Trust Deed) and consists of the Notes outstanding, interest payable (ca. USD 5.6 mln) and reimbursement obligations (guarantees) (ca. USD 5 mln) but excluding the carrying value of the Exit Fee and Performance Sharing Fees and Securities.
2. The current Gross Debt maturity profile is presented net of interest payable and reimbursement obligations (guarantees)

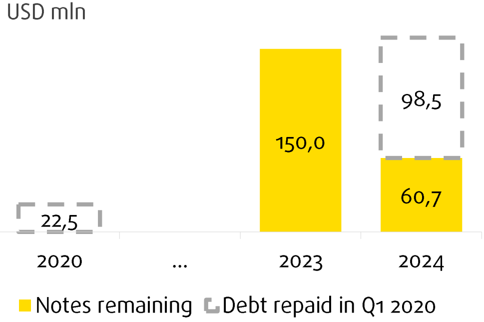
Debt[1]



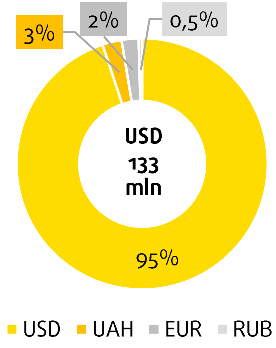
Consolidated Leverage ratios



Current Gross Debt maturity profile[2]



Cash & Cash Equivalents currency breakdown as of 31 March 2020



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