

# **Public Joint Stock Company “Chelyabinsk Pipe Plant”**

Interim Condensed Consolidated  
Financial Statements  
For the Six Months Ended 30 June 2020  
(unaudited)

# PJSC "CHELYABINSK PIPE PLANT"

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company Chelyabinsk Pipe Plant (the "Company") and its subsidiaries (the "Group") at 30 June 2020, and the consolidated results of its operations, cash flows and changes in equity for the six months then ended, in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

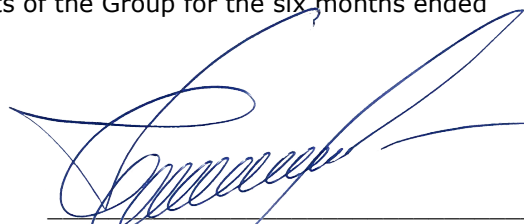
Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 were approved by management:



**Boris Kovalenkov**  
Chief Executive Officer



**Salavat Galimov**  
Acting Chief Financial Officer

10 August 2020

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

To Shareholders and Board of Directors of PJSC "Chelyabinsk Pipe Plant":

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of PJSC "Chelyabinsk Pipe Plant" (the "Company") and its subsidiaries (the "Group") at 30 June 2020 and the related interim condensed consolidated statements of comprehensive income, cash flows and changes in equity for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Shvetsov Andrey Viktorovich,  
Engagement partner

10 August 2020



The Company: PJSC "Chelyabinsk Pipe Plant"

Certificate of state registration: № 27-31, issued by the Administration of Leninskiy district of Chelyabinsk on 21.10.1992.

Primary State Registration Number: 1027402694186.

Certificate of registration in the Unified State Register: № 1027402694186, issued on 19.07.2002 by Tax Inspection of Leninskiy District of Chelyabinsk of the Russian Ministry of Taxation.

Address: 21 Mashinostroiteley str., Chelyabinsk, Russia, 454129.

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444.

Certificate of registration in the Unified State Register: № 77 004840299, issued on 13.11.2002 by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

# PJSC "CHELYABINSK PIPE PLANT"



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

(millions of Russian Roubles, unless otherwise stated)

	Notes	Six months ended 30 June	
		2020	2019
Revenue	5	71,844	85,838
Cost of sales		(50,175)	(62,550)
<b>Gross profit</b>		<b>21,669</b>	<b>23,288</b>
Distribution costs		(3,621)	(5,104)
General and administrative expenses		(6,623)	(6,449)
Gain/(loss) on disposal of property, plant and equipment and intangible assets		368	(15)
Impairment of assets		(543)	(867)
<b>Operating profit</b>		<b>11,250</b>	<b>10,853</b>
Finance income		199	219
Finance costs		(4,113)	(4,701)
Foreign exchange loss, net		(1,794)	(487)
Share of gain of associates		-	4
<b>Profit before income tax</b>		<b>5,542</b>	<b>5,888</b>
Income tax	6	(1,062)	(1,709)
<b>PROFIT FOR THE PERIOD</b>		<b>4,480</b>	<b>4,179</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Change in fair value of financial assets measured at fair value through other comprehensive income		(210)	69
Actuarial losses on retirement benefits		(61)	(3)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange rate income/(loss) on translating of foreign operations		248	(326)
<b>Other comprehensive loss</b>		<b>(23)</b>	<b>(260)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>4,457</b>	<b>3,919</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		4,473	4,174
Non-controlling interests		7	5
		<b>4,480</b>	<b>4,179</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		4,450	3,914
Non-controlling interests		7	5
		<b>4,457</b>	<b>3,919</b>
Earnings per share attributable to owners of the Company, basic and diluted (Russian Roubles per share)		14.64	13.65

# PJSC "CHELYABINSK PIPE PLANT"



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020 (UNAUDITED)

(millions of Russian Roubles, unless otherwise stated)

	Notes	30 June 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		46,799	47,627
Advances for capital construction and intangible assets		776	1,170
Intangible assets		2,624	2,608
Right-of-use assets		2,073	2,674
Goodwill		7,180	6,989
Other financial assets		3,368	3,629
Loans receivable		358	375
Deferred tax assets		2,228	1,619
Trade and other receivables		465	268
Other non-current assets		183	169
<b>Total non-current assets</b>		<b>66,054</b>	<b>67,128</b>
<b>Current assets</b>			
Inventory		25,446	25,158
Trade and other receivables		25,705	33,622
Current income tax prepayment		608	255
Loans receivable		784	825
Cash and cash equivalents		25,548	21,112
<b>Total current assets</b>		<b>78,091</b>	<b>80,972</b>
<b>TOTAL ASSETS</b>		<b>144,145</b>	<b>148,100</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1,616	1,616
Legal reserve		46	46
Translation reserve		1,871	1,623
Actuarial gains reserve		246	307
Retained earnings		3,845	2,060
<b>Equity attributable to owners of the Company</b>		<b>7,624</b>	<b>5,652</b>
Non-controlling interests		103	96
<b>Total equity</b>		<b>7,727</b>	<b>5,748</b>
<b>Non-current liabilities</b>			
Borrowings	7	71,018	65,393
Accounts payable and accrued expenses		772	606
Deferred revenue		240	241
Retirement benefit obligations		254	254
Deferred tax liabilities		1,113	1,307
<b>Total non-current liabilities</b>		<b>73,397</b>	<b>67,801</b>
<b>Current liabilities</b>			
Borrowings	7	28,436	22,779
Accounts payable and accrued expenses		27,143	43,734
Advances from customers		3,592	3,646
Income tax payable		125	170
Other taxes payable		3,725	4,222
<b>Total current liabilities</b>		<b>63,021</b>	<b>74,551</b>
<b>Total liabilities</b>		<b>136,418</b>	<b>142,352</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>144,145</b>	<b>148,100</b>

# PJSC "CHELYABINSK PIPE PLANT"



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

(millions of Russian Roubles, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
<b>Operating activities</b>		
Profit before income tax	5,542	5,888
Adjustments for:		
Depreciation and amortisation	4,190	3,967
Changes in pension and payroll accruals	(2)	144
Changes in allowance for inventory	(86)	(41)
Impairment of assets	543	867
(Gain)/loss on disposals of property, plant and equipment and intangible assets	(368)	15
Share of gain of associates	-	(4)
Finance income	(199)	(219)
Finance costs	4,113	4,701
Foreign exchange loss, net	1,794	487
Other	(2)	(6)
<b>Operating cash flows before working capital changes</b>	<b>15,525</b>	<b>15,799</b>
Movements in working capital		
Decrease/(increase) in accounts receivable and prepayments	8,490	(6,536)
Decrease/(increase) in inventories	118	(7,554)
(Decrease)/increase in trade and other payables	(17,141)	4,884
<b>Cash generated from operations</b>	<b>6,992</b>	<b>6,593</b>
Income tax paid	(1,897)	(1,473)
Interest paid	(4,000)	(4,740)
Interest received	239	152
<b>Net cash generated from operating activities</b>	<b>1,334</b>	<b>532</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,967)	(2,271)
Purchase of intangible assets	(145)	(352)
Proceeds from sale of property, plant and equipment	33	40
Dividends received	-	4
Proceeds from loans repaid	51	180
Loans given	(57)	(525)
<b>Net cash used in investing activities</b>	<b>(3,085)</b>	<b>(2,924)</b>
<b>Financing activities</b>		
Proceeds from borrowings	47,017	10,934
Repayment of borrowings	(38,627)	(12,879)
Payment of lease obligations	(467)	(406)
Dividends paid	(2,984)	(9)
<b>Net cash generated from/(used in) financing activities</b>	<b>4,939</b>	<b>(2,360)</b>
Effect of exchange rate changes on cash and cash equivalents held in a foreign currency	1,248	(1,272)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,436</b>	<b>(6,024)</b>
Cash and cash equivalents at the beginning of the period	21,112	21,554
<b>Cash and cash equivalents at the end of the period</b>	<b>25,548</b>	<b>15,530</b>



# PJSC "CHELYABINSK PIPE PLANT"



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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

(millions of Russian Roubles, unless otherwise stated)

	Equity attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Legal reserve	Translation reserve	Treasury shares	Actuarial gains reserve	Retained earnings/ (accumulated deficit)			
<b>Balance at 1 January 2019</b>	<b>2,498</b>	<b>71</b>	<b>2,077</b>	<b>(19,309)</b>	<b>335</b>	<b>17,952</b>	<b>3,624</b>	<b>187</b>	<b>3,811</b>
Profit for the period	-	-	-	-	-	4,174	4,174	5	4,179
Other comprehensive (loss)/income	-	-	(326)	-	(3)	69	(260)	-	(260)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(326)</b>	<b>-</b>	<b>(3)</b>	<b>4,243</b>	<b>3,914</b>	<b>5</b>	<b>3,919</b>
Acquisition of treasury shares	-	-	-	(2)	-	-	(2)	-	(2)
Share capital reduction and cancellation of treasury shares	(882)	-	-	19,311	-	(18,435)	(6)	-	(6)
Dividends (Note 4)	-	-	-	-	-	(4,702)	(4,702)	(5)	(4,707)
<b>Balance at 30 June 2019</b>	<b>1,616</b>	<b>71</b>	<b>1,751</b>	<b>-</b>	<b>332</b>	<b>(942)</b>	<b>2,828</b>	<b>187</b>	<b>3,015</b>
<b>Balance at 1 January 2020</b>	<b>1,616</b>	<b>46</b>	<b>1,623</b>	<b>-</b>	<b>307</b>	<b>2,060</b>	<b>5,652</b>	<b>96</b>	<b>5,748</b>
Profit for the period	-	-	-	-	-	4,473	4,473	7	4,480
Other comprehensive income/(loss)	-	-	248	-	(61)	(210)	(23)	-	(23)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>248</b>	<b>-</b>	<b>(61)</b>	<b>4,263</b>	<b>4,450</b>	<b>7</b>	<b>4,457</b>
Dividends (Note 4)	-	-	-	-	-	(2,501)	(2,501)	-	(2,501)
Other	-	-	-	-	-	23	23	-	23
<b>Balance at 30 June 2020</b>	<b>1,616</b>	<b>46</b>	<b>1,871</b>	<b>-</b>	<b>246</b>	<b>3,845</b>	<b>7,624</b>	<b>103</b>	<b>7,727</b>



## **1. GENERAL INFORMATION**

Public Joint Stock Company Chelyabinsk Pipe Plant (the "Company" or "Chelpipe") was established as a state owned enterprise in 1942 and was incorporated as an open joint stock company on 21 October 1992 as part of and in accordance with the Russian government's privatisation programme. The Company's registered address is 21 Mashinostroiteley str., Chelyabinsk, 454129, Russia. Hereinafter, the Company together with its subsidiaries are referred to as the Group.

At 30 June 2020, Mr. A.I. Komarov is the ultimate controlling party of the Group and the immediate shareholder of the Company, who owns 77.2638% of the Company's issued share capital.

The Group has four reportable segments, namely steel pipe production ("SPP"), oilfield services ("OFS"), trunk pipeline systems ("TPS") and scrap procurement ("Scrap"). For more detailed description of activity of each segment refer to Note 3. The Group's principal activities include the production and distribution of pipes and pipe products for the oil and gas industry, housing and utilities infrastructure and industrial applications. The Group is one of the largest pipe producers in Russia holding significant domestic market share in stainless seamless pipes and large diameter pipes.

## **2. BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the information contained in its audited annual consolidated financial statements for 2019 prepared in accordance with IFRS.

The same accounting policies, presentation and methods of computation are followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for 2019, except for the impact of the adoption of the Standards and Interpretations described below.

### **Going concern**

These interim condensed consolidated financial statements have been prepared by management on the assumption that the Group will continue as a going concern, which presumes that the Group will, for the foreseeable future, be able to realize its assets and discharge its liabilities in the normal course of business.

### **Application of new and revised International Financial Reporting Standards**

The following new standards, amendments to standards or interpretations were adopted by the Group in these interim condensed consolidated financial statements:

- Conceptual Framework for Financial Reporting (revised);
- Amendments to IFRS 3 "Business Combinations";
- Amendments to IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments";
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors";
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions".

The first time application of the aforementioned amendments to standards and interpretations from 1 January 2020 had no material effect on the interim condensed consolidated financial statements of the Group.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**
*(millions of Russian Roubles, unless otherwise stated)*
**Exchange rates**

Exchange rates for currency in which the Group had significant transactions are as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Exchange rates at the end of the period (Russian Roubles)</b>		
1 U.S. Dollar	69.9513	61.9057
1 Euro	78.6812	69.3406
1 Czech Koruna	2.9381	2.7222
	<b>Six months ended 30 June 2020</b>	<b>2019</b>
<b>Average exchange rates for the period (Russian Roubles)</b>		
1 U.S. Dollar	69.3714	65.3384
1 Euro	76.4417	73.8389
1 Czech Koruna	2.9015	2.8748

**3. SEGMENT REPORTING**

The Group has identified the following segments based upon reports used by the chief operating decision maker ("CODM"):

- Steel pipe production ("SPP") – representing manufacturing and distribution of pipes and other related products, including activities related to the procurement of scrap and its further utilisation as raw materials in manufacturing of steel billets used in seamless pipe production;
- Oilfield services ("OFS") – representing equipment manufacturing and support services for oil well extraction equipment such as electric submersible pumps, sucker-rod drilling pumps and a number of other products and services for various stages of an oilfield's development;
- Trunk pipeline systems ("TPS") – representing production of highly customised components for the construction of oil and gas pipelines, including valves, hot-formed and cold-formed pipeline bends and hubs; and
- Scrap procurement ("Scrap") – representing procurement, storage, recycling of ferrous and non-ferrous scrap metal including collection, sorting, shredding, processing, etc. with further selling of scrap metal.

Segment assets consist of current and non-current assets. Segment liabilities comprise current and non-current liabilities. Impairment loss provisions relate only to those charges made against allocated assets.

The CODM assesses the financial performance of each segment separately for the purpose of making decisions about resource allocation and performance evaluation. Segment performance is estimated based on the Adjusted EBITDA.

Adjusted EBITDA is determined as profit/loss for the period adjusted by finance income and costs, income tax, depreciation and amortization, foreign exchange gain/loss, change in fair value of derivatives, gain/loss on disposal of subsidiaries, gain/loss on disposal of property plant and equipment and intangible assets, impairment of loans and interest receivable, impairment of assets (property plant and equipment, intangible assets, advances for capital construction and intangible assets), impairment of goodwill, social and charity expenses not related to operating activities. Adjusted EBITDA is not defined in the IFRS, therefore the Group's definition may differ from that of other companies.

The segment information presented is based on the information reviewed by the CODM, which differs from the IFRS figures. In these interim condensed consolidated statements reconciliations are provided for the differences between this information and the information included in the interim condensed consolidated statements. Key differences are comprised of interdivisional consolidation adjustments made in the IFRS accounting and adjustments made from the date of preparation of information for analysis by management to the date of signing of the IFRS statements.

## **PJSC "CHELYABINSK PIPE PLANT"**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

*(millions of Russian Roubles, unless otherwise stated)*



Segment revenue reviewed by CODM and disclosed in this note may differ from revenue streams disclosed in Note 5 as some companies in specific operating segment could have a minor sale transactions of non-core products which are included in different line in Note 5.

In 2020, Management reorganized part of OFS business and spun off a part of this segment into a separate legal entity, "Chelpipe maintenance" LLC, which provides services to pipe producers. Management decided to account for results of this entity within the SPP segment since the date of spin off. For the six months ended 30 June 2020, revenue and adjusted EBITDA of "Chelpipe maintenance" LLC amounted to 861 and 147 respectively (six months ended 30 June 2019: 1,224 and 184 respectively).

# PJSC "CHELYABINSK PIPE PLANT"

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

(millions of Russian Roubles, unless otherwise stated)



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Segment information related to the interim condensed consolidated statements of comprehensive income for the six months ended 30 June 2020 is as follows:

	Segment information as reviewed by CODM					Total
	Steel pipe production	Oilfield services	Trunk pipeline systems	Scrap procurement	Adjustments	
Revenue from external customers	62,006	6,914	2,141	783	-	71,844
Inter-segment revenue	1,350	335	1,081	9,666	(12,432)	-
Cost of sales	(44,018)	(5,538)	(2,965)	(10,013)	12,359	(50,175)
Distribution costs	(3,267)	(173)	(111)	(105)	35	(3,621)
General and administrative expenses	(5,515)	(719)	(231)	(182)	24	(6,623)
(Impairment)/reversal of impairment of assets	(544)	57	(29)	(27)	-	(543)
Add back:						
Impairment of property, plant and equipment	190	-	-	-	-	190
Impairment of intangible assets	2	-	-	-	-	2
Impairment of advances for capital construction and intangible assets	3	3	-	-	-	6
Impairment of loans receivable	47	-	-	7	-	54
Impairment/(reversal of impairment) of interest receivable	13	(67)	-	3	-	(51)
Social and charity expenses	268	-	-	-	-	268
Depreciation and amortisation	2,400	1,108	317	365	-	4,190
<b>Adjusted EBITDA</b>	<b>12,935</b>	<b>1,920</b>	<b>203</b>	<b>497</b>	<b>(14)</b>	<b>15,541</b>
Depreciation and amortisation	(2,400)	(1,108)	(317)	(365)	-	(4,190)
Impairment of property, plant and equipment	(190)	-	-	-	-	(190)
Impairment of intangible assets	(2)	-	-	-	-	(2)
Impairment of advances for capital construction and intangible assets	(3)	(3)	-	-	-	(6)
Impairment of loans receivable	(47)	-	-	(7)	-	(54)
(Impairment)/reversal of impairment of interest receivable	(13)	67	-	(3)	-	51
Social and charity expenses	(268)	-	-	-	-	(268)
Finance income	200	3	28	14	(46)	199
Finance costs	(3,979)	(107)	(12)	(61)	46	(4,113)
Gain on disposal of property, plant and equipment and intangible assets	349	10	9	-	-	368
Foreign exchange (loss)/gain, net	(1,745)	15	(65)	1	-	(1,794)
Income tax	(985)	(133)	83	(27)	-	(1,062)
<b>Profit/(loss) for the period</b>	<b>3,852</b>	<b>664</b>	<b>(71)</b>	<b>49</b>	<b>(14)</b>	<b>4,480</b>

# PJSC "CHELYABINSK PIPE PLANT"

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

(millions of Russian Roubles, unless otherwise stated)



Segment information related to the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2019 is as follows:

	Segment information as reviewed by CODM				Adjustments	Total
	Steel pipe production	Oilfield services	Trunk pipeline systems	Scrap procurement		
Revenue from external customers	72,616	6,390	1,903	4,929	-	85,838
Inter-segment revenue	1,421	648	1,027	9,725	(12,821)	-
Cost of sales	(52,916)	(5,592)	(2,607)	(14,249)	12,814	(62,550)
Distribution costs	(4,610)	(151)	(183)	(177)	17	(5,104)
General and administrative expenses	(4,958)	(819)	(325)	(338)	(9)	(6,449)
Impairment of assets	(198)	(75)	(502)	(92)	-	(867)
Share of gain of associates	-	4	-	-	-	4
Add back:						
Impairment of property, plant and equipment	243	6	-	-	-	249
Impairment of intangible assets	32	-	-	-	-	32
(Reversal of impairment)/impairment of advances for capital construction and intangible assets	(1)	1	-	-	-	-
Impairment of loans receivable	47	32	-	28	-	107
Impairment of interest receivable	-	-	-	7	-	7
Impairment of goodwill	-	-	493	-	-	493
Social and charity expenses	84	-	-	-	-	84
Depreciation and amortisation	2,248	1,019	324	376	-	3,967
<b>Adjusted EBITDA</b>	<b>14,008</b>	<b>1,463</b>	<b>130</b>	<b>209</b>	<b>1</b>	<b>15,811</b>
Depreciation and amortisation	(2,248)	(1,019)	(324)	(376)	-	(3,967)
Impairment of property, plant and equipment	(243)	(6)	-	-	-	(249)
Impairment of intangible assets	(32)	-	-	-	-	(32)
Reversal of impairment/(impairment) of advances for capital construction and intangible assets	1	(1)	-	-	-	-
Impairment of loans receivable	(47)	(32)	-	(28)	-	(107)
Impairment of interest receivable	-	-	-	(7)	-	(7)
Impairment of goodwill	-	-	(493)	-	-	(493)
Social and charity expenses	(84)	-	-	-	-	(84)
Finance income	166	17	27	19	(10)	219
Finance costs	(4,495)	(116)	(11)	(89)	10	(4,701)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(13)	(16)	-	14	-	(15)
Foreign exchange (loss)/gain, net	(502)	5	11	(1)	-	(487)
Income tax	(1,637)	(108)	(8)	44	-	(1,709)
<b>Profit/(loss) for the period</b>	<b>4,874</b>	<b>187</b>	<b>(668)</b>	<b>(215)</b>	<b>1</b>	<b>4,179</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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*(millions of Russian Roubles, unless otherwise stated)*

Segment information related to the interim condensed consolidated statement of financial position at 30 June 2020 is as follows:

	Segment information as reviewed by CODM					Total
	Steel pipe production	Oilfield services	Trunk pipeline systems	Scrap procurement	Adjustments	
Non-current assets	74,373	10,873	12,093	2,371	(33,656)	66,054
Current assets	69,188	6,607	5,893	2,678	(6,275)	78,091
<b>Total assets</b>	<b>143,561</b>	<b>17,480</b>	<b>17,986</b>	<b>5,049</b>	<b>(39,931)</b>	<b>144,145</b>
Non-current liabilities	71,601	1,384	148	270	(6)	73,397
Current liabilities	57,145	6,277	3,180	2,216	(5,797)	63,021
<b>Total liabilities</b>	<b>128,746</b>	<b>7,661</b>	<b>3,328</b>	<b>2,486</b>	<b>(5,803)</b>	<b>136,418</b>

Segment information related to the consolidated statement of financial position at 31 December 2019 is as follows:

	Segment information as reviewed by CODM					Total
	Steel pipe production	Oilfield services	Trunk pipeline systems	Scrap procurement	Adjustments	
Non-current assets	82,677	11,188	11,894	2,704	(41,335)	67,128
Current assets	71,465	5,935	6,852	2,386	(5,666)	80,972
<b>Total assets</b>	<b>154,142</b>	<b>17,123</b>	<b>18,746</b>	<b>5,090</b>	<b>(47,001)</b>	<b>148,100</b>
Non-current liabilities	65,245	1,880	178	492	6	67,801
Current liabilities	68,296	6,010	3,569	2,082	(5,406)	74,551
<b>Total liabilities</b>	<b>133,541</b>	<b>7,890</b>	<b>3,747</b>	<b>2,574</b>	<b>(5,400)</b>	<b>142,352</b>

**Revenue: geographical segments**

The Group operates in three main geographical areas. Sales are based on the country in which the customer is located. The geographical distribution of sales is presented in the table below:

	Six months ended 30 June	
	2020	2019
Russian Federation	62,018	67,570
Other countries of the Commonwealth of Independent States	6,859	10,459
Foreign countries	2,967	7,809
<b>Total revenue</b>	<b>71,844</b>	<b>85,838</b>

**Revenue: major customers**

Sales to major customers are set out in the table below:

	Six months ended 30 June	
	2020	2019
Customer 1	10,378	9,830
Customer 2	8,312	6,710
Customer 3	4,495	6,453
<b>Total</b>	<b>23,185</b>	<b>22,993</b>

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*(millions of Russian Roubles, unless otherwise stated)*
**4. DIVIDENDS**

For the six months ended 30 June 2020, the Company declared dividends in the amount of 2,501 (six months ended 30 June 2019: 4,702).

**5. REVENUE**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Domestic sales of pipes	51,580	54,652
Domestic sales of oilfield services	6,660	6,015
Domestic sales of pipeline valves	2,305	1,626
Domestic sales of scrap	1,044	5,046
Domestic sales of other goods	429	231
Export of pipes	7,979	16,681
Export of pipeline valves	1,108	1,237
Export of oilfield services	708	302
Export of scrap	11	18
Export of other goods	20	30
<b>Total revenue</b>	<b>71,844</b>	<b>85,838</b>

**6. INCOME TAX**

Income tax comprises the following:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Current tax	1,873	2,064
Deferred tax	(811)	(355)
<b>Total income tax</b>	<b>1,062</b>	<b>1,709</b>

**7. BORROWINGS**

	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
<b>Non-current</b>		
Bonds payable	40,621	38,204
Loans with floating rates	18,040	15,672
Credit lines with floating rates	10,384	396
Lease liabilities	1,294	1,697
Loans with fixed rates	414	8,709
Credit lines with fixed rates	265	715
<b>Total</b>	<b>71,018</b>	<b>65,393</b>
<b>Current</b>		
Credit lines with fixed rates	11,822	6,243
Loans with floating rates	5,931	5,183
Bonds payable	4,994	4,988
Credit lines with floating rates	3,635	1,593
Loans with fixed rates	1,196	3,801
Lease liabilities	858	971
<b>Total</b>	<b>28,436</b>	<b>22,779</b>
<b>Total borrowings</b>	<b>99,454</b>	<b>88,172</b>



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*(millions of Russian Roubles, unless otherwise stated)*
**Bonds payable**

Total amount of Group's bonds payable represents bonds of 001R programme issued by the Group in 2016-2017 and bonds issued on the Irish Stock Exchange in 2019.

**Loans and credit lines**

The Group has various borrowing agreements with lenders including loans and revolving credit facilities.

During the six months ended 30 June 2020, the Group entered into additional credit lines facilities denominated in Russian Roubles and Euro in the amount of 9,972 expiring in December 2021-January 2025. The credit lines bear interest at rates varying between 5.6% and 8.1% p.a. and are determined at the time of the loan drawdown.

At 30 June 2020, the Group had available undrawn amounts under loans and credit lines totaling 48,676 (31 December 2019: 72,829).

**8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Generally, parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over, or is under significant influence of the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2020 are detailed below:

	<b>Group's controlling shareholder</b>	<b>Entities controlled by the Group's controlling shareholder</b>	<b>Entities under significant influence of the Group's controlling shareholder</b>
Trade and other receivables	-	856	489
Loans receivable	-	315	445
Trade and other payables	(1,932)	(465)	(163)
Borrowings	-	(759)	-

Transactions with related parties as well as purchases for the six months ended 30 June 2020 were as follows:

	<b>Group's controlling shareholder</b>	<b>Entities controlled by the Group's controlling shareholder</b>	<b>Entities under significant influence of the Group's controlling shareholder</b>
Revenue	-	1,682	587
Purchases	-	(126)	(913)
Distribution costs	-	(13)	-
General and administrative expenses	-	(716)	6
Finance income, net	-	26	16

Transactional cash flows with related parties for the six months ended 30 June 2020 were as follows:

	<b>Group's controlling shareholder</b>	<b>Entities controlled by the Group's controlling shareholder</b>	<b>Entities under significant influence of the Group's controlling shareholder</b>
Operating activities	-	595	(621)
Financing activities	-	(164)	-
Investing activities	-	5	-

In addition to the transactions mentioned in the table above, during the six months ended 30 June 2020, the Group had the following transactions with related parties:

- The Group declared and paid dividends to the related parties in the amount of 2,199 and 2,640 respectively;
- The Group acquired from related parties property, plant and equipment and intangible assets in the amount of 19 and 84 respectively.

At 30 June 2020, the Group recognized the right-of-use assets from related parties in the amount of 685.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2019 are detailed below:

	<b>Group's controlling shareholder</b>	<b>Entities controlled by the Group's controlling shareholder</b>	<b>Entities under significant influence of the Group's controlling shareholder</b>
Trade and other receivables	-	579	801
Loans receivable	-	318	465
Trade and other payables	(2,319)	(530)	(417)
Borrowings	-	(921)	-

Transactions with related parties for the six months ended 30 June 2019 were as follows:

	<b>Group's controlling shareholder</b>	<b>Entities controlled by the Group's controlling shareholder</b>	<b>Entities under significant influence of the Group's controlling shareholder</b>
Revenue	-	55	8
Purchases	-	(680)	(89)
Distribution costs	-	(5)	-
General and administrative expenses	-	(532)	(232)
Finance (costs)/ income, net	10	(3)	15

Transactional cash flows with related parties for the six months ended 30 June 2019 were as follows:

	<b>Group's controlling shareholder</b>	<b>Entities controlled by the Group's controlling shareholder</b>	<b>Entities under significant influence of the Group's controlling shareholder</b>
Operating activities	-	(3,715)	(309)
Financing activities	-	(109)	-
Investing activities	-	(124)	(527)



In addition to the transactions mentioned in the table above, during the six months ended 30 June 2019, the Group had the following transactions with related parties:

- The Group declared dividends to related parties in the amount of 4,134;
- The Group acquired intangible assets from related parties in the amount of 54.

At 31 December 2019, the Group recognized the right-of-use assets from related parties in the amount of 861.

#### **Directors' and key management remuneration**

At 30 June 2020, the Board of Directors of the Company comprised 7 directors (31 December 2019: 7 directors). For the six months ended 30 June 2020, compensation to the members of the Board of Directors of the Company, excluding social taxes, amounted to 88 and was included in general and administrative expenses (six months ended 30 June 2019: 100). For the six months ended 30 June 2020, aggregate remuneration of executives, excluding social taxes, amounted to 364 and was included in general and administrative expenses (six months ended 30 June 2019: 627).

### **9. OPERATING ENVIRONMENT AND CAPITAL EXPENDITURE COMMITMENTS**

#### **Operating environment**

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Rouble against major currencies.

During past several years, sanctions have been imposed in several packages by the USA and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic developments on future operations and financial position of the Group is difficult to anticipate.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the companies may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

Due to the current economic situation the Group's management focuses on production and distribution of high-margin products, which stand out in the strategy approved in the beginning of 2020. Moreover management develops and implements measures aimed at improving operational efficiency, in particular, by optimizing production costs and reducing general and administrative expenses.

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*(millions of Russian Roubles, unless otherwise stated)*
**Capital expenditure commitments**

At 30 June 2020, the Group had contractual capital expenditure commitments to acquire equipment and works of capital nature totaling 1,278 (31 December 2019: 738).

**10. FAIR VALUE MEASUREMENTS**

The carrying amounts of financial instruments such as trade and other receivables, cash and cash equivalents, accounts payable and accrued expenses, loans and credit lines with floating rates, lease liabilities approximate their fair values.

The Group's financial instruments which carrying values differ from their fair values are disclosed in the table below:

	Level of the fair value hierarchy	30 June 2020		31 December 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
Loans receivable	Level 3	1,142	1,150	1,200	1,170
<b>Financial liabilities</b>					
Loans and credit lines with fixed rates	Level 3	13,697	13,697	19,468	19,566
Bonds payable	Level 2	45,615	46,464	43,192	44,520

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair values of level 3 financial assets and liabilities were calculated based on the present value of future principal and interest cash flows, discounted at market discount rate that reflects the credit risk of counterparties. The fair value of level 2 financial liabilities was calculated based on the present value of future principal and interest cash flows, discounted at observable market rate.

**Financial assets measured at fair value**

The Group owns 30% of share capital of CJSC "Technoinvest Aliance" and accounts for it at fair value in accordance with IFRS 9 "Financial Instruments". At 30 June 2020, the fair value of investments in CJSC "Technoinvest Aliance" was determined by independent appraiser and comprised 3,368 (31 December 2019: 3,629 ).

The fair value was determined based on the discounted cash flow model. This model includes some assumptions that are not supportable by observable market prices or rates (level 3 inputs). In determining the fair value amount at 30 June 2020, discount rate of 17.0% (31 December 2019: 16.5%) was used. The fair value amount at 30 June 2020 would be lower by 570 if the discount rate increased by 1 percentage point.

**11. EVENTS AFTER THE REPORTING PERIOD**

In July 2020, the Company issued 10,000,000 bonds at par value of Russian Roubles 1 thousand per bond. The bonds are repayable beginning 4 July 2025, the interest yield on the bonds amounts to 6.60% p.a. Proceeds from the issue were used for repayment of Group's borrowings ahead of the schedule.

In July 2020, the Company paid dividends in the amount of 2,167 declared in June 2020.