INTERPIPE HOLDINGS PLC

Consolidated Financial Statements
Year ended 31 December 2020 together with

Independent Auditor's Report

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The directors present their Report together with the accompanying Consolidated Financial Statements (the "Consolidated Financial Statements") of Interpipe Holdings PLC (referred to herein as the "Company") and its subsidiaries (collectively referred to herein as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Principal Activity and Subsidiaries

The Company was incorporated as a limited liability company under the name of Interpipe Holdings Limited in accordance with the Companies Law of Cyprus on 4 April 2019. It was changed to a public company with limited liability under the Laws of Cyprus and renamed to Interpipe Holdings PLC on 24 July 2019. The registered office and the principal place of business of the Company is Mykinon 8, P.C. 1065 Nicosia, Cyprus.

In the course of the legal reorganization of the Group, as disclosed in Notes 1, 31 and 32 to the accompanying Consolidated Financial Statements, the Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity, Interpipe Limited (the "Former Parent").

The Company operates through a number of subsidiaries in various jurisdictions (the list of the subsidiaries is disclosed in Note 32 to the accompanying Consolidated Financial Statements) and has concentration of its business in Ukraine, where its production subsidiaries are located.

The principal activity of the Company is holding ownership interests in its subsidiaries, their financing and strategic management. The Group's activities comprise design, manufacture and distribution of steel tubes, solid-rolled railway wheels and steel billets.

Development and Performance of the Business

The Group is the largest vertically integrated manufacturer of steel billets, steel pipes and railway wheels in Ukraine. The vertical integration secures cost control and global competitive advantage, leading position in cost amongst peers and performance in line with market leaders. Besides, it allows successful scaling of the production across all segments with preservation of low cost base. The Group is a significant player in (i) the steel pipes international market supplying its products to customers in more than 60 countries globally, and (ii) in the railway wheels market being the number one wheels' exporter in the world, with presence in more than 30 countries globally and sizable market share in every important geographical region.

Since the political and economic crisis in Ukraine and global collapse of oil prices in 2014 the Group worked to maintain its operation amid fairly turbulent economic and geopolitical conditions in all major markets. In response to the negative trends, through 2016 and 2017 Interpipe has developed and started implementation of the major strategic initiatives to transform its operational set up, maintain the Group's liquidity position and its operational sustainability and improve its competiveness in a short and longer term. In 2019 and 2020 Interpipe continued transformation, notably through:

- on-going redirection of sales from traditional for the Group CIS markets to the international;
- development of the new value-added products like premium OCTG pipes, axles, wheelsets and wheels for high-speed trains;
- investments in de-bottlenecking key production streams like processing axles, wheels and OCTG pipes and wheelsets assembling;
- establishment of a new organisational structure where Group has started to be legally structured into three separate divisions – Steelmaking, which converts and delivers the raw material for the other two divisions, Pipes and Railway Wheels.

Such initiatives include inter alia a investment programme, which aims to increase capacity for pipes and railway wheels production, to improve significantly quality of the products produced and to enable Group to focus technologically on the market segments with higher margins and stay competitive in existing and new segments of the tubular and wheels goods' markets. By improving quality and production capacity, Interpipe aims to keep pace with the growing technical requirements of oil companies, increase its share / coverage of the full production range in OCTG API premium market (successful introduction and growing sales of Interpipe's proprietary premium connection (UPJ-M) in Ukraine and Middle East / North Africa region (MENA)) and further promote quality-centric culture. Interpipe has also invested in additional wheels finishing capacities to expand its product mix and de-bottleneck production of more complex and lucrative products primarily for the European market. Interpipe continues investing in axle production and wheelset assembling capacities expanding its presence in this market niche and evaluates the practical steps to enter the passenger and high-speed wheels markets in the European Union and Asia. To support the advanced technological expansion agenda as well as to maintain cost leadership position of the Pipes and Railway Wheels divisions, the Steelmaking division develops new steel grades billets products to support premium OCTG and complex wheels products' sales.

As further discussed in Notes 2 and 19, the financial results of the Group were largely determined by other comprehensive loss of USD 200,7 million from exchange differences on translation of foreign operations (UAH 28.27 per USD and UAH 23.69 per USD as at 31 December 2020 and 2019, respectively) together with reduction of the finance costs in 2020 and completion of the restructuring of its debt obligations resulted in the gain of USD 863.5 million in 2019. In addition to that and notwithstanding COVID-19 outbreak, as a result of the different initiatives in 2020 and 2019, the Group delivered sound operational performance (see Note 6 for EBITDA dynamics) and financial results: the Group generated revenue from sales of USD 865.1 million (and USD 1,122.4 million for 2019). The Pipes business segment accounted for 54% of the revenue from sales, the Railway Wheels business segment accounted for 41% of the revenues and the Steelmaking segment accounted for 3% of the revenues in 2020. Further segment information is disclosed in Note 6 to the accompanying Consolidated Financial Statements.

Principal Risks and Uncertainties

The Group is largely exposed to the risks of operating environment in Ukraine. The country continues to experience the consequences of the political and economic turmoil, which broke in 2014. Bilateral relations with the Russian Federation remain damaged over the annexation of Crimea by the latter and its alleged role in the continuing support of separatists in certain parts of the Donetsk and Lugansk regions. Signing of the Association Agreement between Ukraine and the European Union in 2014 caused the Russian Federation to implement various trade barriers, including embargos, for key Ukrainian export products with the Group's ones among them. All these events resulted in higher inflation in the country, devaluation of the national currency against major foreign currencies, illiquidity of the financial and capital markets, deterioration of public finances. The ultimate outcome of the political and economic instability in Ukraine and its impact are difficult to predict, but it may have further negative implications on the Ukrainian economy and Group's operations.

The Group's business is dependent on fluctuations in prices for steel products globally. The steel industry has experienced declines in pricing in recent years largely due to the construction sector crisis in China, along with an increased overcapacity in the Chinese steel sector, which depressed global steel prices due to oversupply in 2015 and 2016. As a result, during these years, there was a decrease in overall demand for the Group's pipes and railway wheels products. While steel prices have since recovered, driven by an improvement in overall demand, no assurance can be given that economic conditions will not deteriorate again with resulting adverse effects on steel prices. The deceleration of steel demand growth has also resulted in global overcapacity of steel production, which has led to reduced capacity utilisation rates and, in some cases, closures of production capacity. Future sales volume growth for the Group remains largely dependent on the development of the Pipes and Railway Wheels divisions and any economic downturns or force majeure events, including COVID-19 outbreak development or further the OPEC-Russia disputes over the global oil supply quotas determination, that may cause a global lack of demand for steel products, or an oversupply of steel products due to industry's overcapacity generally, or, in specific sectors, could result in a lack of demand for the Group's products and/or a decline in realised prices, any of which would materially and adversely affect the Group's business, results of operations and financial condition.

The principal consumer of steel pipes products worldwide is the oil and gas industry, accounting for a significant portion of the Group's pipes sales. The demand for Group's pipes products depends, among other factors, on the prevailing prices for oil, the level of capital spending by major oil and gas companies, the number of oil and gas wells being drilled, as well as on the construction of pipelines to service these wells. Recent downturns in the oil and gas markets led to a sharp decrease in overall demand for the Group's pipes products. While the price of oil has recovered during 2017-2019, oil prices have again declined sharply in 2020, largely as a result of both realised and anticipated reduction in global oil demand due to the impact of the COVID-19 outbreak and /or oil price contraction due to the failed OPEC negotiations. If economic deteriorations in the oil and gas industry experienced in late 2014 and in mid-2020 were to reoccur, this could once again reduce the Group's customers' levels of expenditures, reduce demand for the Group's pipes products and have a material and adverse effect on the Group's business, results of operations and financial condition.

The Group's railway wheels products are sold to manufacturers of railway wagons and wagon maintenance sector. Demand for wagons and wagon maintenance, is, in turn, determined by underlying economic conditions in the relevant markets and rail transportation volumes. In certain markets demand also follows wheels replacement cycles for existing wagons, which are, in turn, driven by mandatory repair periods. Although the Group's management seeks to broaden its customer base for wheels products, it will remain significantly dependent on demand for its wheels products in the Russian and Ukrainian markets. Ukraine's railway wagon manufacturing market has contracted significantly in recent years. Despite a recovery in sales volumes of wheels products within Ukraine experienced by the Group since 2017 due to modernisation projects and demands for railcars and wheels, the Group's management does not expect this recovery to be sustained, and a further significant decline in demand for its wheels products from Ukrainian customers, if such decline occurs, or from other markets (including those in the European Union) would have a material and adverse effect on the Group's business, results of operations and financial condition. The growth in the CIS region rail wheels market in 2018 and 2019 was also driven by growing demand for imported wheels from Russian rolling stock manufactures, operators of maintenance and repair facilities, as well as rolling stock owners. To alleviate the shortage of wheels on the market, on 23 July 2019, the Eurasian Economic Union suspended a 34.22% anti-dumping duty (plus an additional 5% import duty in Russia) on the Group's railway wheels products until 1 June 2020. Interpipe has further benefited from this suspension through increased sales to the Eurasian Economic Union and Russia. As a result, both Interpipe's realised prices and sales volumes of railway wheels to the CIS market (excluding Ukraine) grew strongly between 2017 and 2020. The antidumping duty expired on 22 January 2021, however, on 6 February 2021, Russia has introduced a ban on import of railway wheels from Ukraine, which is likely to result in a substantial decline of sales volumes and revenues in the wheels business in 2021. It is not possible to predict when the import ban will be lifted.

The Group operates in a highly competitive (primarily based on price, quality and service) global market for steel pipes, particularly in the oil and gas sector. In its home market of Ukraine, the Group's pipes shipments face competition from global manufacturers (including Chinese producers), which may have significantly larger overall manufacturing bases and financial resources. In the rest of the world, the Group faces intense competition from incumbent producers and global players, with key competitors varying depending on the market, local product demand and other factors. As a result, the Group may not be able to compete effectively against existing or potential producers and preserve its current shares of geographical or product markets, which could adversely affect the Group's business, results of operations and financial condition.

The Group generates a material portion of its sales from a limited number of customers, and the loss of any of these customers, or any significant loss of business from these customers or failure by such customers to pay for the Group's products could adversely affect the Group. The loss of one or more of the Group's customer or a reduction in their capital or operating expenditure budgets or if they were to cease operations, could adversely affect demand for the Group's products, which could have a material adverse effect on the Group's business, results of operations and financial condition. The Group considers current trend to reduce local natural gas production and drilling programs in Ukraine as a temporary factor and expects a policy of the Ukrainian energy self-sufficiency to be preserved in a longer run due to its pervasive importance for the country.

In the steelmaking sector, the Group's continued ability to source local scrap could be at risk due to the scarcity of supply, compounded by competition from other domestic steel producers, as well as competition from iron ore-based billet suppliers from around the world. Most of the Group's principal competitors in each segment have significantly greater financial and production resources, and many of them benefit from additional economies of scale or vertical integration. As a result, the Group's principal competitors often benefit from lower cost or production, higher availability of capital resources for investment in new capacities or to maintain existing plants and may therefore be able to offer better pricing terms to their customers compared to the Group. The price that the Group pays for scrap metal in Ukraine is generally favourable. Favourable scrap metal prices are due in part to long-term relations with Ukrainian scrap suppliers, duties imposed on the export of Ukrainian scrap metal and generally high costs of transporting scrap metal over long distances. The Group's cost of production is also largely dependent on wholesale electricity prices in Ukraine which have been increasing in recent years, driven in part by declining subsidies and, in part, by the government policy of increasing the share of renewable electricity production in the domestic supply mix and the guaranteed higher tariffs granted to renewable generating plants. The electricity prices may continue to increase, particularly as Ukraine takes further steps to liberalise its domestic wholesale market in line with the package of reforms required by the International Monetary Fund (the "IMF"). In the event that Ukrainian export restrictions on scrap were to be removed, the prices that the Group pays for scrap metal could increase; and/or the wholesale electricity prices increase due to ongoing domestic energy market liberalization. While the Group has historically been able to pass a large portion of its raw material cost increases to its customers by increasing selling prices, there can be no assurance that the Group will continue to be able to do so in the future, which could adversely affect the Group's business, results of operations and financial condition.

All of the Group's principal production facilities are located in Ukraine, with over 70% of the Group's revenue in each of 2020 and 2019 having been obtained from export sales. As a result, the Group is subject to protective tariffs, duties and quotas imposed by certain countries into which the Group exports its steel products, which could reduce its competitiveness in, and limit its access to, certain markets. The Group's future sales in any of its key markets could be affected by these evolving trade restrictions. When new measures are introduced by any country, even if these measures do not immediately impact the Group, the retaliating steps taken by other countries could subsequently affect the sales of Group's products. Further, existing tariffs could be increased or additional duties or import tariffs introduced that directly impact the Group's sales.

Further discussion on the operating environment and related risks of the Group as well as the Group's financial restructuring completion and going concern considerations are included in Note 2 to the Consolidated Financial Statements.

Other principal operating and financial risks of the Group are discussed in Notes 34 and 36 to the accompanying Consolidated Financial Statements.

Main Strategic Objectives

The Group's key strategic objectives are to diversify its geographical presence and product mix in order to enhance its position as a leading producer of pipes and wheels in the CIS region and to expand presence of its products in the global markets. The Group intends to pursue this strategy by increasing its seamless pipes and railway wheels production, enhancing its product mix, improving quality of its products and services, expanding its global presence and working more closely with its customers to deliver higher value-added products and services while improving profit margins. The Group has launched its strategic investment programme which should enable our products to meet more challenging and demanding quality requirement in the new markets. The success of this initiative is viewed as the key success factor for the Group in penetrating new markets and diversifying the customer base to compensate for a significant reduction of demand in our traditional geographical segments, in particular in CIS.

For more information on operating environment and risks of the Group, refer to Note 2 to the accompanying Consolidated Financial Statements.

Research and Development

Except for the strategic initiatives as described above, in 2020, the Group did not carry out any material research and development activities meeting capitalization criteria under IFRS.

Issued Capital and Capital Distributions

Details of the Company's equity accounts formation and changes are disclosed in Note 31 to the Consolidated Financial Statements.

Information relating to dividends payable by the subsidiaries is disclosed in Note 21 to the Consolidated Financial Statements. The Company did not declared and paid dividends in 2019 and 2020. In March 2021 subsequent to the occurrence of the Final Repayment Date (Note 2), which resulted in elimination of restriction for dividend payout, the Company has declared and paid dividends in the amount of USD 40,000 thousand.

Board of Directors

As at 31 December 2020 composition and responsibilities of the Company's Board of Directors was as follows:

Name	*Function*	*Date of initial appointment to the Board of Directors**
Ganna Khomenko	Non-Executive Director	9 December 2009
Yakiv Konstantynivs'ky	Non-Executive Director	20 July 2011
Iuliia Chebotarova	Non-Executive Director	10 October 2012
Philippe Bideau	Independent Non-Executive Director	15 June 2016
Fadi Khraybe	Non-Executive Director	1 November 2016
Oleksandr Kirichko	Non-Executive Director	1 December 2018
Tomas Mayer Kearney	Independent Non-Executive Director	23 July 2020
Fiona Jane Mary Paulus	Independent Non-Executive Director	23 July 2020
Artem Poliakov	Chief Executive Officer of Interpipe Holdings PLC	12 October 2020

* On 2 November 2019, the Board of Directors of Interpipe Holdings PLC was formed retaining substantially the same composition as the Board of Directors of Interpipe Limited.

There being no requirement in the Company's Articles of Association for the retirement of the Directors by rotation, the respective Directors presently members of the Board continue in the office.

The following changes occurred in Board of Directors' constitution and responsibilities allocation during the year and up to the date of this report:

- In July 2020, Tomas Mayer Kearney was appointed as Independent Non-executive Director;
- In July 2020, Fiona Jane Mary Paulus was appointed as Independent Non-executive Director;
- In October 2020, Artem Poliakov was appointed as a Chief Executive Officer of the Company;
- In November 2020, Andrii Dudnyk, Non-Executive Director of the Board of Directors resigned;
- In January 2021, Fadi Khraybe, was appointed Chairman of the Board of Directors;
- In February 2021, Artem Poliakov resigned from the position of the Director of the Board of Directors and the CEO of the Company;
- In February 2021, Fadi Khraybe was appointed as a Chief Executive Officer of the Company.

Except for the changes disclosed above, there were no other changes in the assignment of responsibilities and remuneration of the Board of Directors during the year and up to the date of this report.

Events after the Reporting period

Events after the reporting period date are disclosed in Note 37 to the Consolidated Financial Statements.

Independent Auditors

The independent auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Signed and authorised for issue on behalf of the Board of the Company:

Chairman of the Board of Directors, CEO — Fadi Khraybe

Denys Morozov

18 March 2021

STATEMENT OF THE DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The following statement is made with a view to specifying the respective responsibilities of the directors and management in relation to the Consolidated Financial Statements of Interpipe Holdings PLC and its subsidiaries (collectively referred to as the "Group").

The directors and management are responsible for the preparation of the Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2020 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter "IFRS") and the Cyprus Companies Law, Cap.113.

In preparing the Consolidated Financial Statements, the Directors and management are responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- preparation of the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Directors and management, within their competencies, are also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions of countries of incorporation;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The Consolidated Financial Statements for the year ended 31 December 2020 were authorised for issue on 18 March 2021.

Chairman of the Board of Directors, CEO — Fadi Khraybe

Denys Morozov

18 March 2021

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Independent Auditor's Report

To the Members of Interpipe Holdings Plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Interpipe Holdings Plc (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key audit matter	*How our audit addressed the key audit matter*
Fair value of financial instruments	
Total financial liabilities at fair value amount to USD 64,948 thousand in the Group's consolidated financial statements as of 31 December 2020. The net effect of changes in fair values of financial liabilities for the year 2020 amounts to USD 19,214 thousand. We considered the measurement of complex derivative financial instruments and in particular level 3 instruments, to be one of the matters of the most significance in our audit as it requires judgement from management, in particular in respect of: • the determination of measurement inputs not based on observable market data; • the use of internal valuation models; • the estimate of the main measurement adjustments such as estimation of the timing of cash outflows related to the financial instruments expected payment profile. The information on the financial liabilities at fair value is disclosed in Note 7 and Note 19 to the consolidated financial statements.	Among other procedures: • we obtained and discussed with management and evaluated the key assumptions underlying management's assessment of the fair value of financial instruments; • we compared the assumptions used in the prior year's fair value assessments with actual results for the current year, investigated significant variances identified and considered the impact on the current year's fair value assessments; • we have engaged our internal valuation specialists to assess the methodology and assumptions used by the Group in the preparation of projected financial information shown in the business plan. We also analyzed the related disclosures presented in the Group's consolidated financial statements.
Revenue recognition	
The amount of revenue is material to the consolidated financial statements. Revenue is the Group's key performance measure, which gives rise to a risk that revenue may be misstated. For this reason, and additionally due to the risk of untimely recognition of revenue from shipments that occurred at the end of the reporting period, we identified revenue recognition as a one of the matters of the most significance in our audit.	Among other procedures: • we assessed the Group's accounting policy in respect of revenue recognition, we focused on analysis of meeting the criteria for revenue recognition; • we analyzed sales contracts terms in respect of transfer of control. On a sample basis, we compared the date of transfer of control in accordance with supporting documents with the date of revenue recognition;

The Group's disclosure in respect of the accounting policies on revenue recognition is included in Note 4 to the consolidated financial statements, and revenue by segment disclosure for 2020 is included in Note 6 to the consolidated financial statements.

- on a sample basis we obtained confirmations of accounts receivable balances from customers;
- we tested a sample of revenue and sales returns transactions before and after the year end and compared the period when transaction occurred with the period when it was recorded;
- we analyzed sales turnovers, both in monetary and physical terms, including margin analysis and analysis of correlation of sales revenue and cost of sales, analysis of subsequent sales returns;
- we analyzed monthly sales to identify unusual fluctuations by type of goods and services and compared this information with prior periods and anticipated results of the Group;

We also analyzed the disclosures in the consolidated financial statements in respect of revenue.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management's Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Consolidated Management Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Gabriel Onisiforou.

Gabriel Onisiforou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
18 March 2021

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(in US dollars and in thousands)

INTERPIPE

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3, 8	487,756	602,233
Intangible assets and goodwill	9	3,702	3,453
Investments in associates	10	723	1,222
Investment in joint venture	11	2,614	2,861
Deferred tax assets	12	24,219	35,966
Prepaid income tax		168	186
Other non-current assets		168	256
		519,350	**646,177**
Current assets			
Inventories	13	153,861	195,000
Trade and other accounts receivable	14	105,230	120,255
Prepayments and other current assets	4, 15	31,306	29,592
Prepaid current income tax		2,868	3,378
Taxes recoverable, other than income tax	16	18,684	17,597
Cash and cash equivalents	17	96,631	256,148
		408,580	**621,970**
TOTAL ASSETS		**927,930**	**1,268,147**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital, net of unpaid		5	5
Share premium		94,277	94,277
Revaluation reserve		389,390	411,166
Retained Earnings		1,242,919	1,032,515
Cash flow hedge reserve	36	-	(83,689)
Foreign currency translation reserve		(1,216,299)	(1,018,198)
		510,292	436,076
Non-controlling interests		10,194	13,132
Total equity	31	**520,486**	**449,208**
Non-current liabilities			
Subordinated Loan	18	46,827	42,462
Long-term borrowings	3, 19	117,914	296,449
Deferred tax liabilities	12	29,835	20,741
Provisions	20	40,212	35,609
		234,788	**395,261**
Current liabilities			
Current portion of the long-term borrowings and interest accrued and payable	4, 19	836	122,560
Trade and other accounts payable	3, 4, 21	57,104	59,718
Advances and other current liabilities	22	62,124	150,362
Current income tax payable		13,051	12,612
Taxes payable, other than income tax	23	4,223	4,156
Provisions	20	35,318	74,270
		172,656	**423,678**
Total liabilities		**407,444**	**818,939**
TOTAL EQUITY AND LIABILITIES		**927,930**	**1,268,147**

Chairman of the Board of Directors, CEO — Fadi Khraybe

Denys Morozov

18 March 2021

The Notes presented on pages 18 – 71 form an integral part of the Consolidated Financial Statements

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(in US dollars and in thousands)

	Notes	2020	2019
Revenue	6	865,131	1,122,362
Cost of sales	24	(597,528)	(809,953)
Gross profit		**267,603**	**312,409**
Selling and distribution expenses	25	(89,855)	(136,936)
General and administrative expenses	26	(36,342)	(43,514)
Other operating income and expenses, net	27	(6,056)	3,847
Operating foreign exchange difference	28	77,450	(52,796)
Operating profit		**212,800**	**83,010**
Gain on the Restructuring, net of (costs)	19, 4	-	863,453
Finance income	29	35,859	2,783
Finance costs	30, 4	(38,744)	(130,944)
Non-operating foreign exchange difference	28	18,061	(2,653)
Share of loss of associates and joint venture	10, 11	(571)	(532)
Profit before tax		**227,405**	**815,117**
Income tax (expense) / benefit	12	(32,289)	13,539
Profit for the year		**195,116**	**828,656**
Profit attributable to:			
Equity holders of the parent		194,335	821,835
Non-controlling interests		781	6,821
		195,116	**828,656**
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil:			
Net effect on cash flow hedge accounting	36	83,689	99,594
Exchange differences on translation of foreign operations	36	(200,319)	115,592
Net other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil:		**(116,630)**	**215,186**
Other comprehensive (loss) / imcome not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on defined benefit plans	20	(8,229)	(2,247)
Income tax effect	12	1,362	370
		(6,867)	(1,877)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		**(6,867)**	**(1,877)**
Other comprehensive (loss) / income for the year, net of tax:		**(123,497)**	**213,309**
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		73,056	1,033,610
Non-controlling interests		(1,437)	8,355
		71,619	**1,041,965**

The Notes presented on pages 18 – 71 form an integral part of the Consolidated Financial Statements

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in US dollars and in thousands)

	Attributable to equity holders of the parent								
	Issued capital, net of Unpaid	Share premium	Revaluation reserve	Retained Earnings/ (Accumulated deficit)	Cash flow hedge reserve	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2019	**62,304**	**426,065**	**434,151**	**(281,229)**	**(183,283)**	**(1,132,256)**	**(674,248)**	**4,749**	**(669,499)**
Group reorganization (Note 1, 2, 31, 32)									
The Former Parent equity elimination	(62,304)	(426,065)	-	488,341	-	-	(28)	28	-
The Company equity contribution	5	94,277	-	(44,282)	-	-	50,000	-	50,000
	5	**94,277**	**434,151**	**162,830**	**(183,283)**	**(1,132,256)**	**(624,276)**	**4,777**	**(619,499)**
Profit for the year	-	-	-	821,835	-	-	821,835	6,821	828,656
Other comprehensive income (Note 20, 36)	-	-	-	(1,877)	99,594	114,058	211,775	1,534	213,309
Total comprehensive income	**-**	**-**	**-**	**819,958**	**99,594**	**114,058**	**1,033,610**	**8,355**	**1,041,965**
Subordinated Loan re-measurement (Note 18)	-	-	-	26,742	-	-	26,742	-	26,742
Depreciation transfer	-	-	(22,985)	22,985	-	-	-	-	-
At 31 December 2019	**5**	**94,277**	**411,166**	**1,032,515**	**(83,689)**	**(1,018,198)**	**436,076**	**13,132**	**449,208**
Profit for the year	-	-	-	194,335	-	-	194,335	781	195,116
Other comprehensive income / (loss) (Note 12, 20, 36)	-	-	-	(6,867)	83,689	(198,101)	(121,279)	(2,218)	(123,497)
Total comprehensive income / (loss)	**-**	**-**	**-**	**187,468**	**83,689**	**(198,101)**	**73,056**	**(1,437)**	**71,619**
Depreciation transfer	-	-	(21,776)	21,776	-	-	-	-	-
Acquisition of non-controlling interest (Note 32)	-	-	-	1,160	-	-	1,160	(1,501)	(341)
At 31 December 2020	**5**	**94,277**	**389,390**	**1,242,919**	**-**	**(1,216,299)**	**510,292**	**10,194**	**520,486**

Share premium is not available for distribution.

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(in US dollars and in thousands)

	Notes	2020	2019
Profit before tax		**227,405**	**815,117**
Adjustments for:			
Depreciation and amortisation	24, 25, 26	55,122	65,580
(Gain) / loss on disposal of property, plant and equipment and intangible assets	27	(1,820)	1,555
Non-cash movements in cost of sales	27	724	987
Reclassification of foreign exchange cash flow hedge to cost of sales	24	83,689	54,695
Gain on the Restructuring	19	-	(863,453)
Finance costs	30	38,744	130,944
Finance income	29	(35,859)	(2,783)
Movement in provisions, less interest cost		(56,650)	7,175
Share of loss of associates	10	324	163
Share of loss of joint venture	11	247	369
Foreign exchange difference		(95,944)	55,286
Operating cash flows before working capital changes		**215,982**	**265,635**
Decrease in inventories		29,275	3,124
Decrease in trade and other accounts receivable		8,270	161
(Increase) / decrease in prepayments and other assets		(988)	7,727
(Increase) / decrease in taxes recoverable, other than income tax		(3,339)	3,296
Increase / (decrease) in trade and other accounts payable		16,276	(27,661)
Increase / (decrease) in taxes payable, other than income tax		629	(798)
(Decrease) / increase in advances and other current liabilities		(73,087)	93,489
Cash generated from operations		**193,018**	**344,973**
Income tax paid		(12,415)	(15,870)
Interest paid		(20,670)	(140,510)
Net cash inflow from operating activities		**159,933**	**188,593**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		(44,030)	(59,847)
Proceeds from sale of property, plant and equipment		2,974	1,581
Interest received		1,821	2,784
Net cash outflow from investing activities		**(39,235)**	**(55,482)**
Cash flows from financing activities			
Proceeds from borrowings		44,905	-
Repayments of borrowings		(325,220)	(68,308)
Equity contribution		-	50,000
Acquisition of non-controlling interest		(341)	-
Net cash outflow from financing activities		**(280,656)**	**(18,308)**
Net (decrease) / increase in cash and cash equivalents		(159,958)	114,803
Net foreign exchange difference		441	10,461
Cash and cash equivalents at period beginning		**256,148**	**130,884**
Cash and cash equivalents at period end	17	**96,631**	**256,148**

For the non-cash activities in relation to equity transactions, please refer to note 31 to the consolidated financial statements.

The Notes presented on pages 18 – 71 form an integral part of the consolidated financial statement.

1. Corporate information

The accompanying Consolidated Financial Statements of Interpipe Holdings PLC (the "Company") and its subsidiaries (collectively, the "Group") as at 31 December 2020 and for the year then ended were authorized for issue in accordance with the Company's Board Resolution on 18 March 2021.

The Company was incorporated as a limited liability company under the name of Interpipe Holdings Limited in accordance with the Companies Law of Cyprus on 4 April 2019. It was changed to a public company with limited liability under the Laws of Cyprus and renamed to Interpipe Holdings PLC on 24 July 2019.

In the course of the legal reorganization of the Group (Note 31, 32), the Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity, Interpipe Limited (the "Former Parent"). The most recent consolidated financial statements of the Former Parent have been issued for the financial year ended 31 December 2018. The Former Parent was incorporated as a limited liability company under the name of Ramelton Holdings Limited in accordance with the Companies Law of Cyprus on 30 December 2005. It was renamed to Interpipe Limited on 15 May 2007.

The registered office and principal place of business of the Company (as well as of the Former Parent) is Mykinon 8, P.C. 1065 Nicosia, Cyprus.

The share capital of the Company was allocated in substantially the same proportions amongst the same shareholders which previously held 100% of the Former Parent shares. Prior to 25 October 2019 (the "Restructuring Effective Date"), the Company's equity was paid by the shareholders by means of the Former Parent's shares contribution into the share capital of the Company (Note 31). The Company holds (as well as the Former Parent held) ownership interests in a number of subsidiaries registered in various jurisdictions (Note 32) with concentration of the Group's business in Ukraine, where its production facilities are located.

The principal business activities of the Group are described in more detail in Note 6. Average number of employees for the year 2020 and 2019 equaled to 9.1 thousand and 9.7 thousand, respectively.

2. Operating environment and risks of the Group

The Consolidated Financial Statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation (in particular in 2014-2018) and a significant level of domestic and foreign state debt.

Following the significant decline in 2014 – 2016, the Ukrainian economy started to demonstrate certain signs of recovery and growth. Main risks affecting the sustainability of the emerging economic trends are represented by the continuing tensions in geopolitical relations with the Russian Federation; lack of the clear consensus as to the directions of the institutional reforms, including public administration, judiciary system and reforms in core sectors of the economy; acceleration of labour emigration and low level of capital inflow. Since 2017 Ukrainian economy is showing signs of recovery from the structural crisis of previous years. The year-on-year inflation rate has decreased to 4.1% during 2019, while GDP continued to grow at 3.3%. Starting from the first quarter of 2020, the Ukrainian economy has been contracting amid a decrease in industrial output and lockdown measures introduced in March 2020 to contain the spread of the COVID-19 pandemic, while the easing of restrictive anti-pandemic measures spurred economy recovery in the second half of the year. Overall, the National Bank of Ukraine ("NBU") expects real GDP to fall by 4.4% year-on-year in 2020, compared with a growth of 3.3% in 2019. In 2020 the NBU continued its inflation targeting policy resulting in the annualised inflation rate in Ukraine of 5.0% in 2020 as compared to 4.1% in 2019 and periodically changed its refinancing rate to 6.0% in June 2020 from 13.5% in December 2019.

The NBU continued floating exchange rate policy and 2020 was finished at UAH 28.27 per USD, compared to UAH 23.69 and 27.69 per USD as at 31 December 2019 and 2018, respectively. As an element of currency regime liberalization, the NBU continued its policy of easing currency restrictions and decreased share of mandatory sale for foreign currency proceeds from 50% down to 30% with effect from 1 March 2019 and cancelled mandatory sale in its entirety on 20 June 2019. In addition, on 16 May 2019, the NBU increased foreign currency denominated export/import transaction settlement period from 180 up to 365 days. Furthermore, on 7 May 2019, the NBU increased the limit for dividends payments by Ukrainian companies to non-residents to EUR 12 million per month and subsequently cancelled this limitation from 10 July 2019.

In order to manage external debt repayments and secure access to external financing, Ukraine continues cooperation with international financial institutions, which are major creditors of its economy. In June 2020, the Executive Board of the International Monetary Fund approved a new 18-month Stand-by Arrangement (SBA) for Ukraine with the total limit of about USD 5 billion. The approval of the SBA enabled the immediate disbursement of about USD 2.1 billion while further disbursements will be considered, depending on Ukraine's success in fulfilling the terms of the SBA. In July 2020, Ukraine and the EU signed an agreement granting Ukraine EUR 1.2 billion in macro-financial assistance funds. Ukraine has remained active on international debt capital markets to manage external debt maturity profile. In 2018-2020, Ukraine not only issued several USD-denominated Eurobond tranches, but also issued several EUR denominated Eurobond tranches with 2019 issue being its first in the last 15 years.

At the end of 2020, bilateral relations with the Russian Federation remain damaged and deteriorating over the annexation of Crimea and its alleged role in continuing armed conflict in Donetsk and Lugansk regions. Russian government maintains various trading barriers, which effectively resulted in a trading embargo for many key Ukrainian export products. In response, the Ukrainian Government keeps similar measures against Russian products. In particular, through all 2018, the Group's sales to the Russian Federation were subject to 19.9% and 34.22% anti-dumping duties for pipes and wheels products, respectively (plus an additional 5% duty for all Ukrainian import products in Russia). In April 2019, new Russian trading sanctions were introduced effective immediately, which banned steel pipe imports into Russia, impacting a majority of Interpipe's pipes products. In June 2019, Ukraine mirrored the Russian trade sanctions adopted in April by inclusion of a ban on seamless pipes produced in the Russian Federation. In July 2019, the Eurasian Economic Commission also suspended the 34.22% anti-dumping duty on import of wheels into the Customs Union until 1 June 2020. The antidumping duty expired on 22 January 2021, however, on 6 February 2021, Russia has introduced a ban on import of railway wheels from Ukraine, which is likely to result in a substantial decline of sales volumes and revenues in the wheels business in 2021. It is not possible to predict when the import ban will be lifted.

The Group's current and target business model assumes an extensive geographical diversification of its sales and presence in different markets. The Group's ability to operate in particular regions is highly dependent on specific trade regimes.

Since 2014, the Group operated in the USA market under the special agreement ("Suspension Agreement") suspending antidumping duty of 7.47% on import of OCTG pipes produced by Interpipe. The Suspension Agreement was extended in June 2018 by the US Government for one year, expired in July 2019 without further extension and the U.S. is currently conducting an administrative review of its antidumping duty order initiated in July 2020. In addition to the antidumping duty, in March 2018 a safeguard tariff of 25% was imposed for all steel products from Ukraine including all of the Group's pipe products supplied to the USA market. In May 2019, the US State Department excluded Canada and Mexico from its steel and aluminium tariffs country list which may increase competition the Group faces in the USA from Canadian and Mexican pipe imports. The Group's seamless standard, line and pressure pipes were subject to an antidumping duty investigation initiated in July 2020. In February 2021 it was preliminary determined that 41.2% dumping margin may be imposed.

In the European market Interpipe's seamless pipe products were subject to 13.8% antidumping duty. On 2 August 2019, the European Commission decreased anti-dumping duty on imports of certain seamless pipes and tubes produced by Interpipe from 13.8% to 8.1%. Since February 2019, the European Commission has put in place country-specific quotas for steel product imports, including Ukrainian seamless tubes and welded pipes, with 25% duty levied on any excess.

In March 2020, the outbreak of COVID-19 has led to quarantine and various types of movement restrictions imposed in many countries. This in turn has led to reduced activity in certain sectors of the economy, reduced demand for certain goods and services and increased risks of slowing economic growth and recession in key economies around the world. During 2020 governments across the world have undertaken several stimulus packages aimed to counter the effects of COVID-19 including fiscal and monetary measures targeting households, health care, and manufacturing and servicing industries. Until the end of 2020, multiple vaccines have been successfully developed and some countries have started vaccination drives.

Since the beginning of the outbreak, the Group has been taking measures to prevent the spread of the virus and ensure the safety of its personnel. Risk management measures carried out by the Group's anti-crisis headquarters include among others remote work for administrative staff, cancelled public events and business trips, regular temperature screenings for employees at all production sites, provision of means for personal protection. All the Group's internal controls remain in place and operating effectively. In addition, the Group supported local communities in the regions where it operates.

At the date of issuing these Consolidated Financial Statements, the situation with the COVID-19 is still evolving and its consequences are currently uncertain; however, management believes that it is taking appropriate measures to support the stable operation of the Group, necessary in the current circumstances. Management concludes that there is no material uncertainty due to the COVID-19 outbreak in relation to the going concern assumption used for preparation of these Consolidated Financial Statements.

Financial Restructuring Completion and Implementation

In 2011, the Group executed debt restructuring documentation with its lenders and bondholders. In order to give effect to the restructuring in a uniform manner, the lenders under various bilateral, syndicated facility agreements, the lenders under the Electric Arc Furnace (the "EAF") construction financing facility (the "2011 Restructured facilities"), and the Group entered into a single Override Agreement governing the Group's bank borrowings (the "Override Agreement"), which amended the key terms and provisions set out in each of the 2011 Restructured facilities and which entered into full force and effect on 16 December 2011. The Override Agreement acted as an umbrella amendment agreement applicable to each of the 2011 Restructured facilities.

The Group's financial performance has been materially impacted by adverse market developments resulting from a decline in the price of oil and other commodities, as well as geo-political developments in the region in recent years. In late 2013, the Group breached certain financial covenants and missed scheduled principal repayments of USD 106 million, which triggered cross-defaults on the Group's borrowings, thus entitling the Group's lenders to demand accelerated or full immediate repayment of all outstanding amounts of borrowings. Consequently, the Group initiated a financial restructuring process.

On 1 April 2019, lenders representing 100% of the outstanding principal amount under the Override Agreement and holders of over 90% in the principal amount of the USD 200 million 10.25% Notes due 2017 (the "Existing Bonds") have acceded to the lock-up agreement, pursuant to which they have committed to support, consent to and/or vote in favour of the proposed restructuring on the terms set out in the term sheet negotiated between the coordinating committee of the creditors under the Override Agreement and the Former Parent (the "Restructuring"). On 27 September 2019, the definitive restructuring agreement (the "Restructuring Agreement") has been executed by the lenders representing 100% of the outstanding principal amount under the Override Agreement and the trustee in respect of the Existing Bonds. Pursuant to the Restructuring Agreement, the financial restructuring must have been implemented not later than the date agreed by the Group and the lenders and should have resulted in reduction of the existing debt and the restatement of its repayment profile. On 10 October 2019, the Group has satisfied all condition precedents set in the Restructuring Agreement and has signed the financial documents regulating the Restructuring; accordingly, upon satisfaction of all the Restructuring Agreement's conditions, on the Restructuring Effective Date (25 October 2019) - the Restructuring came into full force and became binding and irrevocable.

As a result of the Restructuring implementation, the Company became the new parent of the Group and the borrower under the following debt instruments:

- USD 309,192 thousand 10.25% guaranteed notes due 2024 (the "New Notes");
- A senior facility agreement in the principal amount of USD 45,808 thousand (the "New Facility Agreement");

In addition and as a condition precedent of the Restructuring Agreement, the existing working capital facilities drawn by certain Group subsidiaries were (i) assigned to the Company via intragroup transfer, (ii) restructured and replaced with two new working capital loans (the "New WC Loans") with total principal amount of USD 45 million owed by the Company and guaranteed by the Former Parent to the lenders.

The Former Parent became the guarantor of the Company's obligations in respect of the New Notes and of the loan under the New Facility Agreement. The New Notes were issued to the holders of the Existing Bonds and certain of the lenders under the Override Agreement.

The New Notes and a fee agreement with the lenders under the New Facility Agreement also included the Company's obligation to pay exit fees (the "Exit Fee") in the aggregate amount of USD 40 million to the holders of the New Notes and such lenders, respectively, if the New Notes and the New Facility Agreement are not repaid prior to the fourth anniversary of the Restructuring Effective Date.

In addition, Interpipe Investments PLC (the "Performance Fee Debtor"), a public company limited by shares under the Laws of Cyprus, established as a 94% subsidiary to the Company (with a minority of 6% held by six of the Company's direct shareholders) acted (i) as an issuer of performance securities (the "Performance Securities") and (ii) as an obligor under a performance fee agreement (the "Performance Fee Agreement"). The Company became the guarantor of the Performance Fee Debtor's obligations, contingent upon the Group performance and specific triggering events and conditions occurrence (see below), in respect of the Performance Securities and under the Performance Fee Agreement.

The Performance Securities and the Performance Fee Agreement provided to the holders the right to receive from the Performance Fee Debtor a fee (the "Performance Sharing Fee") equal to higher of (i) percentage of the Group EBITDA or (ii) percentage of the Group Adjusted Cash Flow before Debt Service (being, broadly, the Group EBITDA adjusted for working capital change, income tax paid and net cash flows from investing activities, but before net cash flows from financing activities) for the three consecutive annual periods (the "Fee Assessment Period") starting with the next full calendar semi-annual period following the date of full repayment of obligations due under the New Facility Agreement, the New Notes and the Exit Fee (if applicable) (the "Final Repayment Date").

3,054 units of the Performance Securities were issued by the Group and are currently fully separable, transferrable and detached from the Company's obligations under the New Notes. The Performance Fee Agreement (i) has an option to convert into up to 458 units of the Performance Securities, (ii) gave rise to similar obligations to the contractual parties under the Performance Fee Agreement as to the Performance Securities holders (total fee determined and shared equitably, pro-rata to 3,550 on a per-unit basis) and (iii) are detached from the Company's obligations under the New Facility Agreement.

The Performance Securities and the Performance Fee Agreement also provided the holders and the contractual parties, respectively, with the right to a share in the net proceeds from any capital transaction (the "Net Proceeds") with the Company's equity or assets and/or any material disposal of capital nature of any and all of the Group subsidiaries, whether in entirety or in material constituent parts thereof (the "Proceeds Sharing Fee") starting on the Restructuring Effective Date and elapsing on the last day of the Fee Assessment Period.

(in US dollars and in thousands)

The following table summarizes the ratchet of the percentages to be applied (the "Applicable Percentage") depending on number of years elapsing from the Restructuring Effective Date (i) at the start of the Fee Assessment Period (for the Performance Sharing Fee calculation) and/or (ii) when the Net Proceeds are received (for the Proceeds Sharing Fee determination):

Number of Years elapsing since the Restructuring Effective Date	*for the Performance Sharing Fee calculation*		*for the Proceeds Sharing Fee determination*
	% of EBITDA	% of Adjusted Cash Flow	% of Net Proceeds
0 to 4	15%	22.5%	10%
5 to 7	20%	27.5%	20%
8 to 10	25%	33.0%	20%

The amount due of the Performance Sharing Fee is deductible for the purpose of determination of the Proceeds Sharing Fee amount due and vice versa. The assessment of the total amount, due and payable, of the Performance and Proceed Sharing Fees contains certain catch-up surcharges and compensating deductions in order to capture the substance, removing the timing effects on the calculation and allowing the parties concerned to share equitably, in fair manner, but without double-counting in the Group performance and/or relevant capital transaction results.

The Group has an early settlement option (the "Early Settlement Option") under the Performance Securities and the Performance Fee Agreement via one-off payment of higher of (i) pre-agreed amount (USD 125 million, if prior to, or USD 175 million, if subsequent to the fourth anniversary of the Restructuring Effective Date, respectively) or (ii) 100% of the Group's EBITDA for the most recent full financial year preceding the date of such early settlement option invocation.

In accordance with the Restructuring Agreement, one of the Company's shareholders contributed USD 50 million cash equity in 2019 (Note 31). Further, the shareholder also committed to provide the Group with an additional liquidity buffer of USD 20 million (supported by a standby letter of credit) in case the Group fails to meet its financial obligations under the Restructuring.

As a result of the Restructuring implementation as well as of the scheduled and early repayments of the borrowings and new debt finance raised under the General Loan Facility (Note 19, 35) as at 31 December 2020 and 2019, the Group capital structure was at a level that management and directors believe can be sustained with the Group's borrowings respective reduction from USD 415,854 thousand to USD 116,880 thousand (Note 19, 35).

The net equity of the Group reinstated to USD 520,486 thousand and USD 449,208 thousand and current assets exceeded current liabilities by USD 235,924 thousand and USD 198,292 thousand as at 31 December 2020 and 2019, respectively. The directors and management of the Group have concluded that the successful Restructuring in 2019 and ongoing operating activities in 2020 substantially removed uncertainty, which in the past cast doubts over the Group's ability to continue as a going concern. The directors and management also believe that the Group will be able to manage various business risks in uncertain and volatile environment and will be able to continue its operations for the foreseeable future in the normal course of business.

3. Basis of preparation

Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as well as in accordance with the requirements of the Cyprus Companies Law, Cap.113. The entities composing the Group maintain their accounting records in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the Consolidated Financial Statements, which have been prepared from the Group entities' local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The Consolidated Financial Statements have been prepared on a historical cost basis except for property, plant and equipment and construction in progress, that are carried at a revalued amount, investment in associates and joint ventures accounted for using the equity method, post-employment benefits measured in accordance with the requirements of IAS 19 "Employee benefits" and certain financial instruments measured in accordance with the requirements of IFRS 9 "Financial instruments".

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenues and expenses during the reporting period.

Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

The Consolidated Financial Statements are presented in US Dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated; all expenses are shown in brackets (unless otherwise indicated in notes).

The Consolidated Financial Statements provide comparative information in respect of the previous period.

New and amended standards and interpretations

During the current year the Group adopted all of the amendments to International Financial Reporting Standards (IFRS) adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Consolidated Financial Statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the Consolidated Financial Statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Consolidated Financial Statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendments to the existing standards and interpretations had no impact on the Consolidated Financial Statements of the Group.

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Company (and of the Former Parent, where applicable) and its subsidiaries at 31 December 2020 and for the year then ended. At each reporting date, the Company, regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the interest in subsidiaries not held by the Group. Non-controlling interests at the reporting date represent the non-controlling shareholders’ portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling shareholders’ portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders’ equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. Summary of significant accounting policies

Foreign currency translation

The Consolidated Financial Statements are presented in the USD, which is the Company's functional and presentation currency. Items in the financial statements of each entity included in the Consolidated Financial Statements are measured using the functional currency determined for that entity. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences upon re-measurement are recognised in the profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Ukrainian hryvnia is the functional currency of the subsidiaries domiciled in Ukraine. The functional currencies of the subsidiaries domiciled outside of Ukraine are as follows: the United States dollar for those registered in Switzerland, United Arab Emirates, Republic of Cyprus and the United States of America, Euro for a subsidiary in Germany and, Russian rouble for a subsidiary in Russia, and Kazakhstani tenge for a subsidiary in Kazakhstan.

As at the reporting date, the assets and liabilities of these companies are translated into the presentation currency of the Group at the rate of exchange at the reporting date. For the reporting year, the amounts presented in their statements of comprehensive income and cash flows are translated at the monthly weighted average exchange rates. All equity transactions and significant transactions relating to the statement of comprehensive income such as revaluation and impairment of property, plant and equipment and write down of inventories to net realisable value were translated using the exchange rate ruling at the date of transaction. The exchange differences arising on the translation are taken to a separate component of equity through the other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss.

Net investments in foreign operations

Net investments in foreign operations are accounted in accordance with provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Net investment is considered to be monetary item with the settlement which is neither planned nor likely to occur in the foreseeable future. Such monetary items may consist of intercompany loans and may include long-term receivables and payables.

In the Consolidated Financial Statements of the Group exchange differences arising on monetary items that are designated to form part of the net investments are recognised in other comprehensive income and taken to a separate component in equity during period of designation.

Exchange differences recognized in other comprehensive income should be reclassified from equity to profit or loss only on disposal of the respective net investment in accordance with provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Business combinations and goodwill

Business combinations, except for those among entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and a part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(in US dollars and in thousands)

For business combinations among entities under common control, in particular those representing legal reorganizations of the existing business without a change in control, the Group elected to apply pooling of interest method. Under this method assets and liabilities after the combination are recognized at the same carrying amounts as before the combination with the remaining differences, if any, recognized directly in equity.

Property, plant and equipment

Property, plant and equipment initially recognized at cost. Subsequently, property, plant and equipment are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. When no market values are available, fair value of specific machinery and equipment is determined by using depreciated replacement cost approach. Fair values of other items of property, plant and equipment are determined by reference to market-based evidence, which are the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materiality from that which would be determined using fair value at the end of the reporting period. The last revaluation was performed by independent appraiser as at 31 December 2018.

Following the significant deterioration in 2014-2016, the economy of Ukraine demonstrated first indicators of stabilization in 2017. The increase in the fair value of the Group's property, plant and equipment as at 31 December 2018 relates to the progress in stabilization of Ukrainian business environment and improved situation on the global markets. Despite the fact that the business environment remained unstable and geopolitical situation - complicated, the Ukrainian economy continued to show moderate growth and improved macroeconomic fundamentals for the third year in a row, driven by political stability, structural economic reforms, higher consumer spending due to an increase in real wages and favourable export markets. As at 31 December 2020 the management considered certain signs of further economic recovery, but, applying conservative approach, views the recent 2018 revaluation is still an adequate basis of presentation for the Group's Property, plant and equipment in the Consolidated Financial Statements.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset.

Increases in carrying amount arising on revaluation of property, plant and equipment are recorded in other comprehensive income and credited to revaluation reserve in equity. However, such increase is to be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If the asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

As the asset is used by the Group, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred to retained earnings. On the subsequent sale or retirement of a revalued property, the respective revaluation surplus carried in equity is transferred directly to retained earnings.

Depreciable amount is the cost or revalued amount of the item of property, plant and equipment less estimated residual value at the end of the useful life. Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the assets, determined at the date of revaluation, or estimated useful life of the assets, determined at the date the asset is available for use.

The asset's residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end. Depreciation is calculated over the estimated remaining useful life of the assets as follows:

Buildings and structures	3-50 years
Machinery and equipment	1.5-25 years
Transport and motor vehicles	1-10 years
Fixtures and office equipment	1-7 years

Construction in progress comprises prepayments made and letters of credit issued for purchases of property, plant and equipment, as well as property, plant and equipment which have not yet been constructed. No depreciation is recorded on such assets until they are available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year when the item is derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and social infrastructure facilities held by production subsidiaries in Ukraine, which do not meet the definition of an asset according to IFRS and are not included in the Consolidated Financial Statements. Construction and maintenance costs of social infrastructure facilities are expensed as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term and low-value assets lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option as well as leases where underlying assets are considered to be low value). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets include patents and trademarks, accounting and other software acquired separately from business combination and measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets are amortized using straight line method over estimated useful lives from three to ten years.

Investments in associates and joint ventures

The Group's investments in associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount, and then recognizes the loss within "Share of profit of an associate and a joint venture" in the consolidated statement of comprehensive income.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Impairment losses on non-revalued assets are recognised in profit or loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus attributable to the asset to the extent that the impairment loss does not exceed the amount of the revaluation surplus for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in the prior years in profit or loss. After such the reversal, the depreciation charge in future periods is adjusted to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (the "OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 as described in the section Revenue from contracts with customers below.

In order to a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (the "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at Amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

As at 31 December 2020 and 2019, the Group had no financial assets at fair value through OCI with recycling of cumulative gains and losses, financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition and financial assets at fair value through profit or loss.

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (the "EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortized cost includes trade and other receivables, current and non-current deposits included under other current assets and other non-current assets, respectively.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has

transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (the "ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings. The Group also has the Performance Sharing Fee and Exit Fee at fair value through profit or loss. The Group has no derivative instruments designated as hedging instruments for effective hedging.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Accounts payable, loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Hedge accounting

Initial recognition and subsequent measurement

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction and that could affect profit or loss.

If the cash flow hedge is effective during the period, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income with the ineffective portion recognised in profit or loss. The associated gains or losses that were recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss (Note 36).

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first-in, first-out ("FIFO") basis, except for cost of work-in-process (comprising unfinished products and metal billets) which is determined on weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Pension obligations

In the normal course of business the Group contributes to the Ukrainian, Russian and Kazakhstani state pension schemes at the statutory rates in force during the year, based on gross salary payments; such expense is charged in the period the related salaries are earned. The Group has also agreed to provide certain defined contribution pension benefits in Switzerland and the USA. The Group has no legal or constructive obligations to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

In addition, the Group's Ukrainian production subsidiaries provide other post-employment benefits to their employees. There are two significant defined benefit post-employment plans in Ukraine, both of which are unfunded. These plans comprise:

- The Group's legal and contractual obligation to its employees to make one-off payment on retirement of employees with long service and other benefits according to the collective agreements, and

- The Group's legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of the eligible employees of the Group. The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method in respect of those employees entitled to such payments. Management uses actuarial techniques in calculating the liability related to these retirement obligations at each reporting date. Actual results could vary from estimates made to the date.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position of the Group with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost resulting from introduction of pension benefits is recognised immediately in the profit or loss.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax expense is calculated by each entity on the pre-tax income determined in accordance with the tax law of a country in which the entity is incorporated, using tax rates enacted during the tax period when the respective transaction arises.

Deferred tax

Deferred income tax is recognised, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of steel products is recognized at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the products.

Revenue reflects the sale of finished products and services. The Group analyses the following five stages to determine the principle for recognizing revenue:

1. Identification of contract;
2. Identification of distinct performance obligations within the contract;
3. Evaluation of contract price;
4. Allocation of overall price to each performance obligation pro rata of their specific sale prices;
5. Recording of revenue when a performance obligation has been satisfied.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of steel products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The existing contracts for the sale of steel products do not provide customers with a right of return of the products of good quality and do not include volume rebates, therefore do not result in variable consideration.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Cost of sales and other expenses recognition

Cost of revenue that relates to the same transaction is recognised simultaneously with the respective revenue.

(in US dollars and in thousands)

New standards and interpretations not yet adopted

At the date of authorisation of the Consolidated Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the EU:

	Effective for annual period beginning on or after
IFRS 1 First-time Adoption of International Financial Reporting Standards	
- Annual Improvements to IFRSs 2018-2020 Cycle: Subsidiary as a First-Time Adopter	Open*
IFRS 3 Business Combinations	
- Reference to the Conceptual Framework	Open*
IFRS 4 Insurance Contracts	
- Deferral of IFRS 9	1 January 2021
- Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 7 Financial Instruments: Disclosures	
- Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 9 Financial Instruments	
- Annual Improvements to IFRSs 2018-2020 Cycle: Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
- Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 10 Consolidated Financial Statements	
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed
IFRS 16 Leases	
- Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 17 Insurance Contracts including Amendments to IFRS 17	
- Amendments to IFRS 17	Open*
IAS 1 Presentation of Financial Statements	
- Classification of Liabilities as Current or Non-current	Open*
IAS 16 Property, Plant and Equipment	
- Proceeds before Intended Use	1 January 2022
IAS 28 Investments in Associates and Joint Ventures	
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	
- Onerous Contracts — Cost of Fulfilling a Contract	Open*
IAS 39 Financial Instruments: Recognition and Measurement	
- Interest Rate Benchmark Reform – Phase 2	1 January 2021
IAS 41 Agriculture	
- Annual Improvements to IFRSs 2018-2020 Cycle: Taxation in Fair Value Measurements	Open*

* The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

For other Standards and Interpretations the Directors do not expect that the adoption of the Standards and Interpretations will have a material impact on the Consolidated Financial Statements of the Group in future periods. There are no other IFRSs or IFRIC interpretations that are not yet effective but would be expected to have a material impact on the Group.

5. Significant accounting judgements and estimates

i) Estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Pension obligations under defined benefit plan

The Group collects information relating to its employees in service and pensioners receiving pension benefits and uses the actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. These calculations require the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate and future projected salary).

Further details are disclosed in Note 20.

Valuation of property, plant and equipment

As described in Note 4, the Group applies the revaluation model to its property, plant and equipment.

At each reporting date the Group carries out the review of the carrying amount of these assets in order to determine whether it is materially different from the fair value. The majority of the Group's property, plant and equipment represent specialised items used in production process. Accordingly, management primarily uses the expected future cash flow models applied to the respective cash generating unit (the "CGU") and considers such approach to be the most appropriate in the current operating environment of the Group.

Useful life of property, plant and equipment and residual value

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each reporting date. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the carrying amount of property, plant and equipment and on depreciation recognised in the consolidated statement of comprehensive income.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. This requires an estimation of the value in use of CGU to which the item is allocated. Estimating the value in use /fair value less costs of disposal requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (the "DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Net realisable value of inventories

Inventory is carried at lower of cost and net realisable value. Estimates of net realisable value of raw materials, work in progress and finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the period (Note 13).

Taxes

Uncertainties may exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

If the Group concludes that it is 'probable' that the taxation authority will accept a specific tax treatment, then the Group determines its accounting for income taxes (e.g. in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, tax rates) consistently with the tax treatment.

Where the Group concludes that it is 'not probable' that the tax authority will accept a specific treatment, then the Group reflects the effect of that uncertainty in its income tax accounting (e.g., in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, tax rates) in the period in which that determination is made. The effect of each uncertainty is reflected using either the 'most likely amount' method or the' expected value' method whichever better predicts the resolution of the uncertainty.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected future performance.

Further details on taxes are disclosed in Note 12 and Note 34.

Value-added tax recoverable

Value-added tax ("VAT") recoverable is reviewed at each reporting date and reduced to the extent that it is no longer probable that a refund or VAT liabilities for netting will be available. The Group considers that the amount due from the state as at the reporting date will be either recovered in cash or reclaimed against the VAT liabilities related to sales.

Provision for expected credit losses of financial assets

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets is disclosed in Note 35.

ii) Judgements

Litigations

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation or arbitration, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, as well as in determining a possible range of any final settlement. Because of the inherent uncertainties in evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as any new information becomes available, primarily with the support of, as appropriate, internal specialists or outside consultants, such as legal counsel. Revisions to the estimates may significantly affect future operating results (Notes 20 and 34).

Designation of monetary items as part of net investment in foreign operations

Throughout the Group there are various intercompany balances between subsidiaries, including loans that are used to finance mainly capital expenditure projects as well as working capital requirements. The majority of these balances are denominated in the USD and are translated into the respective local functional currencies in the subsidiaries' local accounts. Balances for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group's net investment in that foreign operation and exchange differences on these balances are recognised in other comprehensive income and only reclassified from the equity to profit or loss on disposal of the respective net investment. It is the Group management's view that substantial part of the loans and other liabilities granted by the parent and subholding companies to its Ukrainian subsidiaries as from 1 January 2014 qualify as net investments in its foreign operations (Note 36).

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

6. Segment information

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

For management purposes, the Group is organised into business units based on its products and services, and has four reportable operating segments as follows:

1. Pipes segment – production and distribution of:
   - Seamless oil country tubular goods ("OCTG"), used for oil and gas exploration and production;
   - Seamless transportation line pipes, used for oil and gas transportation in severe pressure and temperature conditions;
   - Seamless industrial pipes, used in a large variety of infrastructure and industrial applications;
   - Seamless special applications pipes, used in various applications by the machine-building, power and heat generation and petrochemical industries, among others;
   - Industrial welded pipes, used mainly in the construction industry and in local water distribution networks;
   - Transportation line welded pipes, used to transport water, crude oil and natural gas in moderate pressure and temperature conditions.
2. Railway wheels segment - production and distribution of extensive range of forged wheels used for freight cars, passenger carriages, locomotives and underground trains as well as tyres for wheel sets used on locomotives, underground trains and trams.
3. Steel making segment:
   - Collection and processing of scrap for internal consumption in steel billets production. Scrap not usable for the Group's production purposes is sold to external customers;
   - Production and distribution of pipe steel billets – used both for internal production of the extensive range of seamless pipes and distribution to the external customers;
   - Production and distribution of wheels steel billets – used for railway wheels production and distribution to the external customers.
4. Other operations segment - production and sales of enamel ware and other by-products and services.

The Group management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group's financing activities (including finance costs and finance income) and income taxes are managed on the Group level and are not allocated to the operating segments.

Inter-segment sales primarily consisted of steel billets sold by "Metallurgical Plant Dneprosteel" LLC to JSC "Interpipe Niznedneprovsky Tube Rolling Plant" and "Interpipe Niko Tube" LLC, the cost of which was included in the cost of pipes and wheels.

Recognizing the scope and magnitude of the steelmaking integration into and its influence on the pipes and railway wheels economy, the Group management decided to amend and expand segment information with additional allocation of the steel making EBITDA to pipes and wheels respective EBITDA pro-rata to relevant external revenues from sales of the Group products - thus, explicitly demonstrating the Group key final-product-segments (seamless pipes and railway wheels) throughput results - leaving to the steel making segment only portion of the result attributable to the external steel billets sales.

(in US dollars and in thousands)

Segment revenues and results

Year ended 31 December 2020	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	467,168	359,263	290,122	12,810	1,129,363
Elimination of sales to other segments	-	-	(264,232)	-	(264,232)
Revenue - external	**467,168**	**359,263**	**25,890**	**12,810**	**865,131**
Operating (loss) / profit	**(15,993)**	**153,104**	**73,700**	**1,989**	**212,800**
Finance income					35,859
Finance costs					(38,744)
Non-operating foreign exchange difference					18,061
Share of loss of associates and joint venture					(571)
Income tax expense					(32,289)
Profit for the year					**195,116**

Year ended 31 December 2019	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	657,655	425,296	409,950	14,875	1,507,776
Elimination of sales to other segments	-	-	(385,414)	-	(385,414)
Revenue – external	657,655	425,296	24,536	14,875	1,122,362
Operating (loss) / profit	**(83,587)**	**162,480**	**2,823**	**1,294**	**83,010**
Gain on the Restructuring, net of (costs)					863,453
Finance income					2,783
Finance costs					(130,944)
Non-operating foreign exchange difference					(2,653)
Share of loss of associates and joint venture					(532)
Income tax benefit					13,539
Profit for the year					**828,656**

For the year ended 31 December 2020 and 2019, share of loss of associates was attributable to pipes segment.

Segment assets, liabilities and other information

Year ended 31 December 2020	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	351,962	159,581	245,286	1,962	758,791
Segment liabilities	95,985	74,131	21,986	2,392	194,494
Investment in associates and joint venture (Note 10 and 11)	3,337	-	-	-	3,337
Additions to property, plant and equipment (Note 8)	17,615	12,850	8,513	-	38,978
Movement in provisions	(25,535)	5,625	1,263	-	(18,647)
Other non-cash items	(1,878)	(2,786)	-	(2,600)	(7,264)

(in US dollars and in thousands)

Segment assets, liabilities and other information (continued)

Year ended 31 December 2019	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	447,511	172,479	310,400	3,744	934,134
Segment liabilities	128,899	161,285	26,127	3,395	319,706
Investment in associates and joint venture (Note 10 and 11)	4,083	-	-	-	4,083
Additions to property, plant and equipment (Note 8)	36,385	20,264	10,129	-	66,778
Movement in provisions	37,027	3,196	191	-	40,414
Other non-cash items	(24,611)	(620)	-	(2,252)	(27,483)

Reportable segments' assets are reconciled to total assets as follows:

	31 December 2020	*31 December 2019*
Segment assets for reportable segments	**760,166**	**934,473**
Other operations	**1,962**	**3,744**
Unallocated		
Intangible assets	3,702	3,453
Deferred tax assets	24,219	35,966
Prepaid income tax (non-current)	168	186
Prepaid current income tax	2,868	3,378
Taxes recoverable, other than income tax	18,684	17,597
Prepayments and other current assets	17,972	13,202
Trade and other accounts receivable	1,558	-
Cash and cash equivalents	96,631	256,148
	165,802	**329,930**
Total assets	**927,930**	**1,268,147**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 December 2020	*31 December 2019*
Segment liabilities for reportable segments	**192,102**	**316,311**
Other operations	**2,392**	**3,395**
Unallocated		
Deferred tax liabilities	29,835	20,741
Taxes payable, other than income tax	4,223	4,156
Current income tax liabilities	13,051	12,612
Borrowings	118,541	418,023
Subordinated Loan	46,827	42,462
Interest payable	209	986
Dividends payable to non-controlling interest owners	209	253
Other liabilities	55	-
	212,950	**499,233**
Total liabilities	**407,444**	**818,939**

(in US dollars and in thousands)

The Group measures the performance of its operating segments through a measure of earnings before interest, tax, depreciation and amortisation (the "EBITDA"). EBITDA is calculated as operating profit or (loss) plus depreciation and amortisation charge, plus impairment of property, plant, equipment and intangible asset, 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).

EBITDA is not a measure of financial performance under IFRS. The calculation of EBITDA by the Group may be different from the calculations of similarly labelled measures used by other companies and it should therefore not be used to compare one company against another or as a substitute for analysis of the Group's operating results as reported under IFRS. EBITDA is not a direct measure of the Group's liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Group's financial commitments. EBITDA may not be indicative of the Group's historical operating results, nor is it meant to be predictive of the Group's potential future results. The Group believes that EBITDA provides useful information to the users of the Consolidated Financial Statements because it is an indicator of the strength and performance of the Group's ongoing business operations, including the Group's ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and the Group's ability to incur and service debt.

EBITDA by segments

Year ended 31 December 2020	*Pipes*	*Railway wheels*	*Steel Making*	*Other operations*	*Total*
Operating (loss) / profit	(15,993)	153,104	73,700	1,989	212,800
Depreciation and amortisation	20,642	10,634	23,650	196	55,122
Loss on disposal of property, plant and equipment (Note 27)	(1,474)	299	79	-	(1,096)
Foreign exchange cash flow hedge (Note 36)	71,514	11,518	591	66	83,689
Operating foreign exchange difference	(53,958)	(18,029)	(5,463)	-	(77,450)
EBITDA	**20,731**	**157,526**	**92,557**	**2,251**	**273,065**
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	56,373	29,970	(86,343)	-	-
EBITDA (on a pass-through basis)	**77,104**	**187,496**	**6,214**	**2,251**	**273,065**

Year ended 31 December 2019	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating (loss) / profit	(83,587)	162,480	2,823	1,294	83,010
Depreciation and amortisation	25,998	15,070	24,383	129	65,580
Loss on disposal of property, plant and equipment (Note 27)	1,248	946	348	-	2,542
Foreign exchange cash flow hedge (Note 36)	52,833	1,179	683	-	54,695
Operating foreign exchange difference	38,321	10,776	3,699	-	52,796
EBITDA	**34,813**	**190,451**	**31,936**	**1,423**	**258,623**
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	20,082	9,420	(29,502)	-	-
EBITDA (on a pass-through basis)	**54,895**	**199,871**	**2,434**	**1,423**	**258,623**

(in US dollars and in thousands)

Geographical information

Revenues from external customers

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Europe	238,787	226,997
Ukraine	226,039	323,837
Middle East and Africa	124,749	96,369
Other CIS countries	108,550	124,647
Russia	89,222	144,014
Americas	65,874	190,829
Other countries	11,910	15,669
	865,131	**1,122,362**

Americas region includes the USA, Canada and Latin America countries. Other CIS countries region includes members of the Commonwealth of Independent States, except for Ukraine and Russia, both of which are presented as separate regions.

The revenue received from 1 major customer, individually exceeding 5% of total revenue, amounted to USD 52,610 thousand (2019: 1 major customer, individually exceeding 7% of total revenue, USD 78,874 thousand) arising from sales in Ukrainian geographical segments.

Non-current assets

Non-current assets comprising property, plant and equipment, intangible assets are presented in the table below. Non-current assets are allocated by foreign countries in which the Group holds assets. If non-current assets in an individual foreign country are material, those assets are disclosed separately.

	31 December 2020	*31 December 2019*
Ukraine	489,859	603,556
Europe	121	161
Other countries	1,478	1,969
	491,458	**605,686**

(in US dollars and in thousands)

7. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying amounts of financial instruments, consisting of cash at banks, short-term accounts receivable and payable, other financial assets, non-defaulted short-term loans and borrowings approximate their fair values.

Fair value measurement hierarchy for liabilities as at 31 December 2020:

		Fair value measurement using			
	Carrying amount	*Fair value*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Fair value of liabilities:					
Borrowings and interest payable					
- borrowings at amortized cost	53,802	53,802	-	52,141	1,661
- financial liability at fair value	64,948	64,948	-	-	64,948
	118,750	**118,750**	**-**	**52,141**	**66,609**

Fair value measurement hierarchy for liabilities as at 31 December 2019:

		Fair value measurement using			
	Carrying amount	*Fair value*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Fair value of liabilities:					
Borrowings and interest payable					
- borrowings at amortized cost	334,847	334,847	-	332,678	2,169
- financial liability at fair value	84,162	84,162	-		84,162
	419,009	**419,009**	**-**	**332,678**	**86,331**

There have been no transfers between Level 1 and Level 2 during 2020 and 2019.

(in US dollars and in thousands)

8. Property, plant and equipment

Movement in property, plant and equipment and related accumulated depreciation for the years ended 31 December 2020 and 2019 was as follows:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equip-ment*	*Construction-in-progress and uninstalled equipment*	*Right-of-use assets*	*Total*
Cost or valuation:							
At 1 January 2019	**216,217**	**252,945**	**17,503**	**1,891**	**26,890**	**2,643**	**518,089**
Additions	-	-	-	-	66,778	-	66,778
Transfers	4,134	41,135	711	2,414	(48,394)	-	-
Disposals and write-offs	(1,102)	(1,407)	(199)	(187)	(2,202)	-	(5,097)
Translation difference	36,871	44,899	3,039	565	7,666	-	93,040
At 31 December 2019	**256,120**	**337,572**	**21,054**	**4,683**	**50,738**	**2,643**	**672,810**
Additions	-	-	-	-	38,978	-	38,978
Transfers	5,190	48,252	559	1,057	(55,058)	-	-
Disposals and write-offs	(2,257)	(1,390)	(582)	(64)	(245)	-	(4,538)
Translation difference	(41,737)	(55,635)	(3,431)	(841)	(7,456)	-	(109,100)
At 31 December 2020	**217,316**	**328,799**	**17,600**	**4,835**	**26,957**	**2,643**	**598,150**
Accumulated depreciation and impairment:							
At 1 January 2019	-	-	-	-	-	-	-
Depreciation for the year	14,862	47,943	2,519	1,449	-	534	67,307
Disposals and write-offs	(168)	(645)	(32)	(155)	-	-	(1,000)
Translation difference	1,167	2,690	219	194	-	-	4,270
At 31 December 2019	**15,861**	**49,988**	**2,706**	**1,488**	**-**	**534**	**70,577**
Depreciation for the year	12,802	37,380	1,836	909	-	543	53,470
Disposals and write-offs	(673)	(792)	(182)	(64)	-	-	(1,711)
Translation difference	(2,658)	(8,466)	(531)	(287)	-	-	(11,942)
At 31 December 2020	**25,332**	**78,110**	**3,829**	**2,046**	**-**	**1,077**	**110,394**
Net book value:							
At 31 December 2019	**240,259**	**287,584**	**18,348**	**3,195**	**50,738**	**2,109**	**602,233**
At 31 December 2020	**191,984**	**250,689**	**13,771**	**2,789**	**26,957**	**1,566**	**487,756**

As at 31 December 2020 and 2019, property, plant and equipment with carrying amount of USD 368,157 thousand and USD 466,268 thousand, respectively, were pledged as a security for the Group's borrowings (Note 19). On 26 January 2021 the Group redeemed in full the New Notes (Note 37) with the release of pledges thereto, leaving the carrying amount of property, plant and equipment items pledged as a security under the General Loan Facility (Note 19) comprising USD 37,144 thousand afterwards.

As at 31 December 2020 and 2019, the cost of fully depreciated items of property, plant and equipment, which remain in use, amounted to USD 2,803 thousand and USD 1,427 thousand respectively.

The last revaluation was performed by independent appraiser as at 31 December 2018. As at 31 December 2020 and 2019 the Group assessed whether the fair value of a revalued asset differs materially from its carrying amount, and concluded that difference is not material and hence a further revaluation is not required.

If property, plant and equipment continued to be measured using cost model, their carrying amount would be as follows:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction-in-progress and uninstalled equipment*	*Total*
31 December 2019	84,482	158,848	6,655	3,095	53,200	306,280
31 December 2020	70,872	160,069	5,352	2,738	29,055	268,086

(in US dollars and in thousands)

9. Intangible assets

Movement in intangible assets and related accumulated amortisation for the years ended 31 December 2020 and 2019 was as follows:

	Patents and trademark	*Accounting software*	*Other software*	*Intangible assets under development*	*Total*
Cost:					
At 1 January 2019	**78**	**2,449**	**1,903**	**1,466**	**5,896**
Additions	-	-	-	1,139	1,139
Transfers	527	511	592	(1,630)	-
Disposals			(228)	(3)	(231)
Translation difference	50	428	344	214	1,036
At 31 December 2019	**655**	**3,388**	**2,611**	**1,186**	**7,840**
Additions	-	-	-	1,620	1,620
Transfers	26	419	401	(846)	-
Disposals	(1)	(6)	(56)	(17)	(80)
Translation difference	(106)	(548)	(436)	(237)	(1,327)
At 31 December 2020	**574**	**3,253**	**2,520**	**1,706**	**8,053**
Accumulated amortisation and impairment:					
At 1 January 2019	**55**	**1,111**	**1,360**	**786**	**3,312**
Amortisation for the year	6	196	494	-	696
Disposals	(45)	-	(98)	-	(143)
Translation difference	7	184	199	132	522
At 31 December 2019	**23**	**1,491**	**1,955**	**918**	**4,387**
Amortisation for the year	57	251	408	-	716
Disposals	-	-	(37)	-	(37)
Translation difference	(7)	(236)	(324)	(148)	(715)
At 31 December 2020	**73**	**1,506**	**2,002**	**770**	**4,351**
Net book value:					
At 31 December 2019	**632**	**1,897**	**656**	**268**	**3,453**
At 31 December 2020	**501**	**1,747**	**518**	**936**	**3,702**

Accounting and other software is determined to have finite lives ranging from three to seven years; patents and trademark are determined to have finite lives ranging from three to eight years. Amortization of intangible assets is included in general and administrative expenses in the consolidated statement of comprehensive income.

(in US dollars and in thousands)

10. Investments in associates

The Group's investments in associates were as follows:

Entity	*Activity*	*% of the Group ownership*	*31 December 2020*	*31 December 2019*
PJSC "Nikopolsky Tooling Plant"	Tooling for machines	25%	279	564
PJSC "Nikopolsky Repairing Plant"	Repairs	25%	444	658
PJSC "Teplogeneratzia"	Utility services	30%	-	-
			723	**1,222**

CJSC "Teplogeneratzia", CJSC "Nikopolsky Tooling Plant" and CJSC "Nikopolsky Repairing Plant" are entities incorporated in Ukraine. They are private companies not listed on any public exchange.

The following table illustrates summarised financial information of the Group's investments in associates:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
At period beginning	1,222	1,201
Share of loss	(324)	(163)
Translation difference	(175)	184
At period end	**723**	**1,222**

The Group's share in net assets of its associates was as follows:

	PJSC "Teplo-generatzia"	*PJSC "Nikopolsky Tooling Plant"*	*PJSC "Nikopolsky Repairing Plant"*
At 31 December 2020			
Assets	-	1,070	2,278
Liabilities	-	(791)	(1,834)
Net assets – carrying amounts of investments	**-**	**279**	**444**

	PJSC "Teplo-generatzia"	*PJSC "Nikopolsky Tooling Plant"*	*PJSC "Nikopolsky Repairing Plant"*
At 31 December 2019			
Assets	-	1,496	1,180
Liabilities	-	(932)	(522)
Net assets – carrying amounts of investments	**-**	**564**	**658**

The following table illustrates the Group's share in revenues and profit or loss of associates:

	For the year ended 31 December 2020		*For the year ended 31 December 2019*	
	Revenue	*Loss for the year*	*Revenue*	*Profit / (Loss) for the year*
PJSC "Teplogeneratzia"	3,792	(10)	5,196	6
PJSC "Nikopolsky Repairing Plant"	9,938	(112)	10,530	(8)
PJSC "Nikopolsky Tooling Plant"	7,126	(202)	8,726	(161)

(in US dollars and in thousands)

11. Investment in joint venture

In June 2018, Interpipe entered into a joint venture agreement with one of the world leaders in premium tubular solutions, Vallourec Tubes SAS ("Vallourec"). The parties invested into and launched the pipe finishing facility in Ukraine (Vallourec Niko Tube LLC) by creating a German limited liability company Vallourec Niko Tube Holding GmbH, where 49.9% is held by the Group (with the remainder comprising 50.1%. held by Vallourec). The operation of the pipe finishing mill started in October 2018. The mill finishes certain types of non-OCTG seamless tubes, which are then sold under the Vallourec brand. The interest in joint venture is accounted for using equity method in the Consolidated Financial Statements and its carrying amount so determined was USD 2,614 thousand and USD 2,861 thousand as at 31 December 2020 and 2019, respectively.

Summarised statement of financial position of Vallourec Niko Tube Holding GmbH:

	31 December 2020	*31 December 2019*
Assets	2,614	2,861
Liabilities	-	-
Net assets – carrying amounts of investments	**2,614**	**2,861**

Summarised statement of profit or loss of Vallourec Niko Tube Holding GmbH:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Revenue from contracts with customers	-	-
Loss for the year (continuing operations)	(506)	(740)
Other comprehensive income (continuing operations)	-	-
Total comprehensive income (continuing operations)	(506)	(740)
Group's share of loss for the year	**(247)**	**(369)**

The joint venture had no contingent liabilities or commitments as at 31 December 2020 and 2019.

Vallourec Niko Tube Holding GmbH cannot distribute its profits without the consent from the two venture partners.

12. Income tax

The components of income tax expense for the years ended 31 December 2020 and 2019 were as follows:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Current income tax expense	(12,585)	(22,794)
Deferred income tax (expense) / benefit	(19,704)	36,333
	(32,289)	**13,539**

Income tax (expense) / benefit for the years ended 31 December 2020 and 2019 originated in the following tax jurisdictions:

	Domestic tax rates applicable to individual group entities as at			
	31 December 2020	*31 December 2019*	*For the year ended 31 December 2020*	*For the year ended 31 December 2019*
Ukraine	18%	18%	(26,525)	4,329
Russia	20%	20%	(565)	(904)
Switzerland	11%	11%	45	8,200
Germany	34%	34%	8	124
The USA	21%	21%	2,052	2,523
Cyprus	12.5%	12.5%	(7,304)	(476)
Kazakhstan	20%	20%	-	(257)
The UAE*	-	-	-	-
			(32,289)	**13,539**

* Tax (expense) / benefit calculated at domestic rates applicable to individual Group entities for 2020 and 2019 were affected by the financial results of the Group subsidiary, Interpipe M.E, a free zone establishment with limited liability, which is not subject to corporate tax in the United Arab Emirates. For the details of changes in geographical operations please refer to the Note 6.

(in US dollars and in thousands)

Profit before tax for financial reporting purposes is reconciled to tax benefit as follows:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Accounting profit before tax	**227,405**	**815,117**
Tax expenses calculated at domestic rates applicable to individual Group entities	(24,948)	(143,289)
Tax effect of non-deductible expenses	(11,792)	(1,058)
Tax effect of non-taxable incomes *	3,108	107,744
Change in unrecognised deferred tax assets	4,021	43,213
Recognition of the tax asset relating to the change in an estimate of deductibility of certain temporary difference	(2,300)	9,266
Translation difference	24	(385)
Other differences	(402)	(1,952)
	(32,289)	**13,539**

* Tax effect of non-taxable income for 2019 is mainly derived from the elements of the Gain on the Restructuring (Note 19) recorded in the Company's, the Former Parent's and the Performance Fee Debtor's accounts and calculated at the Cyprus domestic tax rate. Subsequent to the Restructuring, any costs or gains on re-measurement, related to evolution of certain of the constituent elements of the Gain on the Restructuring result (namely, the Exit Fee, the Performance Sharing Fee and/or the Proceeds Sharing Fee, if any) are treated as non-deductible expenses or non-taxable income. The interest cost (or any re-measurement gains/losses) on the Restructured borrowings are tax deductible (or taxable), accordingly.

Deferred tax assets and liabilities related to the following:

	31 December 2020	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2019*
Deferred tax liabilities:					
Investments valuation	7	56	-	6	(55)
Accelerated depreciation for tax purposes and revaluation of property, plant and equipment for financial reporting purposes	(33,587)	3,185	-	5,720	(42,492)
	(33,580)	**3,241**	**-**	**5,726**	**(42,547)**
Deferred tax assets:					
Accrued liabilities and provisions	7,348	(8,521)	1,362	(88)	14,595
Allowance for expected credit loss	2,189	(149)	-	(398)	2,736
Inventories valuation	1,914	(2,386)	-	(516)	4,816
Loans and interest payable	190	9	-	(36)	217
Other deferred tax assets	539	126	-	(24)	437
Tax losses carried forward	49,026	(16,045)	-	(8,183)	73,254
	61,206	**(26,966)**	**1,362**	**(9,245)**	**96,055**
Unrecognized deferred tax asset	(33,242)	4,021	-	1,020	(38,283)
Deferred income tax expense from origination and reversal of temporary differences		(19,704)	1,362		
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	**24,219**				**35,966**
Deferred tax liabilities	**(29,835)**				**(20,741)**

(in US dollars and in thousands)

	31 December 2019	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2018*
Deferred tax liabilities:					
Investments valuation	(55)	10,315	-	(14)	(10,356)
Accelerated depreciation for tax purposes and revaluation of property, plant and equipment for financial reporting purposes	(42,492)	5,304	-	(5,781)	(42,015)
	(42,547)	**15,619**	**-**	**(5,795)**	**(52,371)**
Deferred tax assets:					
Accrued liabilities and provisions	14,595	123	370	628	13,474
Allowance for doubtful accounts	2,736	233	-	296	2,207
Inventories valuation	4,816	(4,162)	-	884	8,094
Loans and interest payable	217	(4,023)	-	279	3,961
Other deferred tax assets	437	(72)	-	54	455
Tax losses carried forward	73,254	(14,598)	-	6,658	81,194
	96,055	**(22,499)**	**370**	**8,799**	**109,385**
Unrecognized deferred tax asset	(38,283)	43,213	-	(4,904)	(76,592)
Deferred income tax benefit from origination and reversal of temporary differences		36,333	370		
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	**35,966**				**2,024**
Deferred tax liabilities	**(20,741)**				**(21,602)**

The deferred tax effect on tax losses carried forward was as follows:

Country of origination	*For the year ended 31 December 2020*	*For the year ended 31 December 2019*
Ukraine	15,279	39,172
Cyprus	28,942	31,974
The USA	4,272	1,858
Switzerland	306	-
Kazakhstan	227	250
Russia	-	-
	49,026	**73,254**

Tax losses carried forward are available for offset against future taxable profits of the companies in which the losses arose for 20 years in the USA, for 5 years in Cyprus, 10 years in Kazakhstan and indefinitely in all other jurisdictions.

As at 31 December 2020 and 2019, the Company has not recognised deferred tax liability in respect of temporary differences amounting to USD 37,715 thousand and USD 44,655 thousand, respectively, associated with investments in the Group subsidiaries as the Company is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

(in US dollars and in thousands)

13. Inventories

Inventories at lower of cost and net realisable value consisted of the following:

	31 December 2020	*31 December 2019*
Raw materials	49,233	62,908
Work in process	18,044	17,800
Finished goods	86,584	114,292
	153,861	**195,000**

As at 31 December 2020 and 2019, the Group inventories balances are carried at lower of cost or net realizable value and, accordingly, the write down adjustments bringing the inventories to the net realisable values amounted to USD 4,891 thousand and USD 14,686 thousand, respectively.

As at 31 December 2020 and 2019, finished goods were pledged as a security for the Group's borrowings (Note 19):

	31 December 2020	*31 December 2019*
Finished goods	26,375	23,874
	26,375	**23,874**

The Group has achieved the Final Repayment Date (Note 2, 37), hence the finished goods pledge thereto was released in full, accordingly.

14. Trade and other accounts receivable

Trade and other accounts receivable consisted of the following:

	31 December 2020	*31 December 2019*
Trade accounts receivable	109,503	121,202
Less allowance for expected credit losses	(8,415)	(10,475)
	101,088	110,727
Other receivables	11,124	17,451
Less of allowance for expected credit losses	(6,982)	(7,923)
	4,142	9,528
	105,230	**120,255**

As at 31 December 2020, trade receivables with carrying amount of USD 29,167 thousand (2019: USD 33,487 thousand), were pledged as a security for the Group's borrowings (Note 19). The Group has achieved the Final Repayment Date (Note 2, 37), hence the trade receivables pledge thereto was released in full, accordingly.

Movement in expected credit losses is disclosed in Note 35. As at 31 December 2020 and 2019, the allowance for impairment of trade accounts receivable included USD 310 thousand and USD 319 thousand, respectively, of the allowance that was determined individually in respect of debtors with significant financial difficulties or with estimated high probability of their insolvency. An impaired trade account receivable is written off against the allowance when there is no reasonable expectation of recovering the contractual cash flows. Trade receivables are non-interest bearing and are generally collected within a three-month term.

As at 31 December 2020 and 2019, 73% and 68% of trade accounts receivable, respectively, were due from twenty major customers.

(in US dollars and in thousands)

15. Prepayments and other current assets

Prepayments consisted of the following:

	31 December 2020	*31 December 2019*
Prepayments to suppliers	12,199	14,533
	12,199	**14,533**

Other current assets consisted of the following:

	31 December 2020	*31 December 2019*
Restricted bank deposit	10,363	8,163
Guarantee deposits	7,609	5,039
Prepaid insurance expense	183	663
Other current assets	952	1,194
	19,107	**15,059**

As at 31 December 2020 and 2019, the guarantee deposits represented restricted bank deposits relating to the letters of credit issued by banks in favour of the Group's suppliers with the contractual maturity exceeding 3-month period.

16. Taxes recoverable, other than income tax

Taxes recoverable, other than income tax consisted of the following:

	31 December 2020	*31 December 2019*
Value-added tax recoverable	18,371	17,515
Other taxes recoverable	313	82
	18,684	**17,597**

VAT recoverable primarily originated in Ukraine (Note 5).

17. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	31 December 2020	*31 December 2019*
Current accounts and deposits on demand at banks	94,612	229,043
Time deposits at banks with maturity less than three months	2,006	27,084
Cash in hand	13	21
	96,631	**256,148**

As at 31 December 2020 and 2019, cash and cash equivalents with carrying amount of USD 7,609 thousand and USD 19,031 thousand, respectively, served as a cash cover for the the letters of credit issued by banks in favour of the Group's suppliers and guarantees issued by banks in favour of the Group's customers with the contractual maturity of less than 3 months.

As at 31 December 2020 and 2019, cash and cash equivalents with carrying amount of USD 14,846 thousand and USD 78,459 thousand, respectively, were placed on the bank accounts subject to the security for the Group's borrowings (Note 19). The Group has achieved the Final Repayment Date (Note 2, 37), hence the cash and cash equivalents pledge thereto was released in full, accordingly.

(in US dollars and in thousands)

18. Subordinated Loan

In 2014, the shareholders provided the Group with the unsecured loan in the amount of USD 40 million to support its short-term liquidity position (the "Subordinated Loan") with the repayment subordinated (including interest accrued thereon) originally subject to 2011 Restructured facilities and EAF facilities (Note 19) priority and full settlement. The principal amount bore an interest at a rate of 10.5% per annum compounding annually.

As a result of the Restructuring, on 4 October 2019, the total amount of the Subordinated Loan with interest accrued to that date of USD 69,204 thousand was (i) reassigned from the Former Parent to the Company as the borrower, (ii) made interest-free and (iii) its maturity and repayment terms were reset and subordinated to the New Notes and the New Facility Agreement. Accordingly, as at that date, the carrying amount of the Subordinated Loan was remeasured and recognized at its fair value with subsequent accounting at amortized cost using EIR method (EIR of 10.25% p.a.) with the initial recognition gain taken directly to equity.

19. Borrowings and interest payable

As at 31 December 2020 and 2019 interest bearing borrowings comprised:

	31 December 2020	*31 December 2019*
General Loan Facility (principal)	45,460	-
New Notes (nominal amount)	6,472	309,192
New WC Loans (principal)	-	22,500
Exit Fee (fair value)	-	24,543
Performance Sharing Fee (fair value)	64,948	59,619
	116,880	**415,854**
Interest payable (current)	209	986
Lease liability	1,661	2,169
Current portion of long-term borrowings	**836**	**122,560**
Long-term borrowings	**117,914**	**296,449**

The General Loan Facility was granted by a Ukrainian bank to a Group's Ukrainian subsidiary and consisted of EUR 30,000 thousand term loan and revolving EUR 7,000 thousand facility due in 2025 and 2023, respectively. The interest rate under the General Loan Facility was set at 4.50% for the first year and UIRD 12m EUR + 3.88% onwards. The General Loan Facility is secured by the pledge of certain items of movable property of the Group's Ukrainian subsidiary and sureties granted by other Ukrainian subsidiaries of the Group.

The New Notes were 10.25% senior secured notes due in 2024 and included in the Securities Official List of the Luxembourg Stock Exchange. The New WC Loans were two USD-denominated working capital loans synchronized in rate and repayment profile with the New Facility Agreement but secured with different from the New Notes and the New Facility Agreement security asset pool.

As at 31 December 2020, the Group has prepaid all of its obligations under the New WC Loans. Subsequent to the year-end, the Group has also redeemed its obligations under the New Notes in full, thus achieving the Final Repayment Date (Note 37).

The Exit Fee is an obligation, contingent upon the Group inability to reach the Final Repayment Date before fourth anniversary of the Restructuring Effective Date (being 25 October 2023). Since at the reporting date the Final Repayment Date was scheduled and occurred after the year end (Note 37) the carrying amount of the Exit Fee was determined close to nil.

The Performance Sharing Fee (represented by the Performance Sharing Securities and obligations under the Performance Fee Agreement) was obligations, contingent upon the Group's performance after occurrence of the Final Repayment Date. The sensitivities of the Performance Sharing Fee carrying amount are further disclosed in Note 36.

As at 31 December 2019, the carrying amount of the Performance Sharing Fee was determined at its fair value based on the best management estimates available to-date: as an amortized cost of the liability using EIR method (EIR of 10.25% p.a.) and on the basis of final contractual repayment of the New Notes on 31 December 2024 (hence, based on the Group estimated performance in the Performance Assessment Period of 2025-2027 calendar years as the notional annual amount of USD 190 million of the Group EBITDA multiplied by the Applicable Percentage as follows: 20% for the 2025-2026 and 25% for 2027 financial years). The shift in payment for one year (to 2026-2028) plus 150 days after each of the years then ending – allowing for the relevant Assessment Period Consolidated Financial Statements preparation – is also used in estimation of the timing of cash outflows related to the Performance Sharing Fee expected payment profile.

As at 31 December 2020, the carrying amount of the Performance Sharing Fee was determined at its fair value on the basis of expected achievement of the Final Repayment Date shortly subsequent to the year-end (Note 37). The Group estimated performance in the Performance Assessment Period of the 2 half year 2021 – 1 half year 2024 as the notional annualized amount of USD 190 million of the Group EBITDA multiplied by the Applicable Percentage of 15% and using EIR of 10.25% p.a. with a shift in payment for one year plus 115 days after each of the 12 month periods then ending (allowing for the relevant Assessment Period Consolidated Financial Statements preparation and estimation of the timing of cash outflows related to the Performance Sharing Fee expected payment profile – i.e. second halves of 2022 through 2025).

(in US dollars and in thousands)

The effect of Exit Fee and Performance Sharing Fee fair value changes are following:

	2020	*2019*
Exit Fee de-recognition (Note 29)	27,066	-
Performance Fee re-measurement (Note 30)	(5,329)	(1,058)
Exit Fee re-measurement (Note 30)	(2,523)	(436)
	19,214	**(1,494)**

As at 31 December 2020 and 2019, no assessment is made for the Proceeds Sharing Fee element (details in Note 2) of the Performance Sharing Securities and obligations under the Performance Fee Agreement since (i) the amount and timing of the underlying capital transaction (if any) or the Net Proceeds thereof could not be reliably established, and (ii) there's no sufficient information as to the prior Performance Sharing Fee payment profile (deductible from the amount due and payable in respect of the Proceeds Sharing Fee).

As at 31 December 2020 and 2019, the long-term lease liability comprised USD 1,095 thousand and 1,545 thousand, respectively; short-term lease obligations comprised USD 566 thousand and USD 624 thousand, accordingly.

Gain on the Restructuring

The Gain on the Restructuring resulted from (i) derecognition of the carrying amounts of the Group borrowings on 10 October 2019, (ii) initial recognition on 25 October 2019 of the New Notes, New Facility Agreement, New WC Loans and contingent liabilities under the Exit Fee and the Performance Fee Agreements as well as the Performance Sharing Securities and (iii) the Restructuring costs incurred in 2019.

The Gain on the Restructuring was recognised in the consolidated statement of comprehensive income for 2019. The following table illustrates the Gain on the Restructuring composition:

	For the year ended 31 December 2019
Borrowings carrying amount as at 10 October 2019	1,479,890
Less:	
Carrying amount of borrowings and related liabilities as at the Restructuring Effective Date	(482,667)
Restructuring costs incurred in 2019	(133,770)
	863,453

The Restructuring constituted a derecognition event in accordance with IFRS 9.3.3.2 as: (i) the lenders before and after the Restructuring were the same, thus the Restructuring was considered a modification of debt by existing lenders in scope of IFRS 9.3.2.2 and (ii) the terms of modified liabilities are substantially different as net present value of the modified cash flows under the new terms is more than 10% different from the carrying amount of the original liability as at the Restructuring Effective Date.

In addition, all the lenders received the same restructuring deal irrespective of the terms and conditions of their individual original loans. This indicates that the individual instruments terms and conditions were not taken into account specifically. The different loans were not modified each in contemplation of their respective terms and conditions but, instead, replaced by a new uniform debt structure. For majority of the lenders converting into the New Notes, the Restructuring resulted in change of the interest rate from floating to fixed, for all of the lenders converting into the New WC Loans - the interest rate changed from fixed to floating. The terms of the Restructuring significantly alter the future economic risk exposure of the instrument (in particular, the New Notes and New Facility Agreement) by introduction of the Performance Fee linked to the Group's performance (see Note 2 and above). This fact pattern is similar to the argument considered by IFRIC (2012 May update) in making conclusion that such restructuring constitutes a derecognition event from holders' perspective.

Accordingly, carrying amount of the borrowings prior to the Restructuring were derecognized and the new liabilities arising from the Restructuring (including the Exit Fee and the Performance Sharing Fee elements as discussed above) were initially recognized at fair value. The total costs related to the Restructuring incurred by the Group in 2019 were deducted from the Gain on the Restructuring (in accordance with IFRS 9.B3.3.6) in the consolidated statement of comprehensive income.

(in US dollars and in thousands)

Security package and pledges of assets

As at 31 December 2020, the General Loan Facility is secured by the pledge of the certain items of movable property of the Group's Ukrainian subsidiary with the carrying amount of USD 37,144 thousand and sureties granted by other Ukrainian subsidiaries of the Group.

On 26 January 2021 the Group redeemed in full the New Notes (Note 37), achieving the Final Repayment Date. Hence the property, plant and equipment, inventories, trade receivables and cash and cash equivalent pledges were released accordingly.

A summary of the pledges to secure the Group's obligations before the Final Repayment Date occurrence is set out below:

	31 December 2020	*31 December 2019*
Carrying amount of property, plant and equipment (Note 8)	368,157	466,268
Inventories (Note 13)	26,375	23,874
Trade receivables (Note 14)	29,167	33,487
Cash and cash equivalents placed on pledged bank accounts (Note 17)	14,846	78,459

As at 31 December 2019, the New Notes and the New Facility Agreement vis-a-vis the New WC Loans were secured by two separate portfolios of the Group assets pledged. As at 31 December 2019, the New WC Loans were secured by pledge of the shares of one of the Group's subsidiaries, JSC "Interpipe Novomoskovsk Pipe-Production Plant", and certain of its property, plant and equipment with the carrying amount of USD 53,617 thousand and as at 31 December 2020 released accordingly.

As at 31 December 2020 and 2019, all of the Group subsidiaries' shares and participatory interests, except for the ones' of presented in the below table and of JSC "Interpipe Novomoskovsk Pipe-Production Plant", as noted above, were pledged as collateral to secure Group's obligations under the New Notes before the Final Repayment Date occurrence on 26 of January 2021 (Note 37):

Name of the company	*Country of incorporation*	*Business activities*
"Transkom - Dnepr" LLC	Ukraine	Transportation services
Society "Dishware Novomoskovsk" Ltd	Ukraine	Production of dishware
JSC "Interpipe Dneprovtormet"	Ukraine	Scrap metal processing
"META" LLC	Ukraine	Scrap metal processing
"Luganskiy Kombinat Vtormet" LLC	Ukraine	Scrap metal processing, dormant company
"Research and development center "Quality" LLC	Ukraine	Research and development
"Interpipe Management" LLC	Ukraine	Management services
"KLW Ukraine" LLC (former "KLW Production" LLC)	Ukraine	Trading
"Interpipe-M" LLC	Russia	Trading
"Interpipe Kazakhstan" LLC	Kazakhstan	Trading, dormant company
Interpipe Investments PLC	Cyprus	Performance Fee Debtor

The Group's obligations under the Performance Sharing Securities and Proceeds Sharing Fee were unsecured.

The Group was subject to certain covenants related primarily to borrowings and dividends distribution. Non-compliance with such covenants may result in negative consequences for the Group including increase in the cost of borrowings, declaration of default and acceleration of repayment. After the Final Repayment Date the most restrictive covenants specifically related to the pay-out to the shareholders ceased to apply. As at 31 December 2020 and 2019, the Group was in compliance with the covenants.

(in US dollars and in thousands)

20. Provisions

Provisions and employee benefits included the following:

	31 December 2020	*31 December 2019*
Provision for customers' and other claims	32,230	70,593
Defined benefit state pension plan	41,197	36,757
Retirement benefit plan	2,103	2,529
	75,530	**109,879**
Provision – current portion	(35,318)	(74,270)
Provision – non-current portion	**40,212**	**35,609**

As at 31 December 2020 and 2019, amount of the provisions includes USD 28,760 thousand and USD 68,663 thousand of potential future costs related to insufficiency of information to prove technical feasibility and performance of the recently launched premium pipe products which are presently used by some of the Group's customers. Non-current portion of the provisions relates to defined benefit state pension plan and retirement benefit plan.

Changes in the provisions:

	Provision for customers' and other claims	*Defined benefit state pension plan*	*Retirement benefit plan*	*Total provisions*
At 1 January 2019	**38,924**	**27,513**	**2,018**	**68,455**
Charge for the year	32,467	7,646	388	40,501
Payments and utilisation	(876)	(2,786)	(203)	(3,865)
Reversal	(87)	-	-	(87)
Translation difference	165	4,384	326	4,875
At 31 December 2019	**70,593**	**36,757**	**2,529**	**109,879**
Charge for the year	1,934	13,625	425	15,984
Payments and utilisation	(16)	(2,714)	(441)	(3,171)
Reversal	(34,631)	-	-	(34,631)
Translation difference	(5,650)	(6,471)	(410)	(12,531)
At 31 December 2020	**32,230**	**41,197**	**2,103**	**75,530**

For the years ended 31 December 2020 and 2019, interest costs attributable to the defined employee benefits and amounting to USD 4,670 thousand and USD 4,922 thousand, respectively, were included in finance costs in the consolidated statement of comprehensive income.

Provision for customers' and other claims

Provision for customers' and other claims represents provision for probable losses and costs which the Group might incur relating to customers' possible future quality claims with respect to some new products and pipe solutions designed, delivered and sold by the Group where technical probation is still ongoing and other litigations (Note 34) filed against the Group in the courts. Reversal for the year ended 31 December 2020 amounted to USD 32,697 thousand (charge, net of reversal, of USD 32,380 thousand for the year ended 31 December 2019) is included in the consolidated statement of comprehensive income.

Defined benefit state pension plan

Production subsidiaries of the Group domiciled in Ukraine have a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the former and existing employees of the Group. Under the plan the Group's employees who have qualifying working experience in health hazardous environment and thus eligible to early retirement are entitled to additional compensations financed by the Group and paid through the Ukrainian State Pension Fund. These obligations fall under definition of a defined benefit plan.

The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position with respect to the plan. Benefit expense, with the exception of interest cost, is included in payroll and related expenses within costs of sales (Note 24). Interest cost is included in finance costs (Note 30).

(in US dollars and in thousands)

Benefit expense recognised in the profit or loss section of the consolidated statement of comprehensive income

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Interest cost (Note 30)	4,369	4,586
Current service cost	1,082	771
	5,451	**5,357**

Changes in the present value of the defined benefit state pension plan

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Present value at the beginning of the year	36,757	27,513
Current service cost	1,082	771
Interest cost (Note 30)	4,369	4,586
Payment	(2,714)	(2,731)
Re-measurement losses on defined benefit plans:		
- changes in financial assumptions	7,480	1,246
- experience adjustments	694	1,043
Translation difference	(6,471)	4,329
Present value at the end of the year	**41,197**	**36,757**

The average duration of the defined benefit state pension plan at the end of the reporting period is 15.9 years (2019: 16.5 years).

Retirement benefit plan

Some production subsidiaries of the Group domiciled in Ukraine have contractual commitments to pay certain lump-sum payments to the retiring employees with a long service period as well as certain other post retirement and employment benefits according to the collective agreements. The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position with respect to the plan. Benefit expense, with the exception to interest cost, is included in payroll and related expenses within cost of sales and general and administrative expenses as appropriate. Interest cost is included in the finance costs (Note 30).

Benefit expense recognised in the consolidated statement of comprehensive income

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Interest cost (Note 30)	301	336
Current service cost	69	94
	370	**430**

Changes in the present value of retirement benefit plan

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Present value at the beginning of the year	2,529	2,018
Current service cost	69	94
Interest cost (Note 30)	301	336
Payment	(441)	(199)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	443	(4)
- experience adjustments	(388)	(38)
Translation difference	(410)	322
Present value at the end of the year	**2,103**	**2,529**

The average duration of the retirement benefit plan at the end of the reporting period is 18.1 years (2019: 17.5 years).

(in US dollars and in thousands)

Principal assumptions applicable to all plans

The principal assumptions used in determining defined benefit obligations for the Group's defined benefit plans are shown below:

	31 December 2020	*31 December 2019*
Annual discount rate	11%	13.5%
Annual salary increase rate	10.9% in 2021, 5.2% afterwards	14.0% in 2020, 5.5% afterwards
Staff turnover	8%	8%

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption as at 31 December 2020 is as shown below:

Assumptions	*Discount rate*		*Future salary increases*		*Staff turnover*	
Sensitivity Level	*1% increase*	*1% decrease*	*1% increase*	*1% decrease*	*25% increase*	*25% decrease*
Impact on the net defined benefit obligation	(3,292)	3,769	262	(242)	(888)	1,120

The sensitivity analysis above were made based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

21. Trade and other accounts payable

Trade and other accounts payable consisted of the following:

	31 December 2020	*31 December 2019*
Trade accounts payable to suppliers	51,854	54,390
Dividends payable to non-controlling interest owners	209	253
Other accounts payable	5,041	5,075
	57,104	**59,718**

Trade accounts payable are non-interest bearing and are generally settled within a three-month term.

22. Advances and other current liabilities

Advances and other current liabilities consisted of the following:

	31 December 2020	*31 December 2019*
Advances from customers	48,611	129,058
Short-term employee benefits	13,009	20,309
Other current liabilities	504	995
	62,124	**150,362**

Advances from customers comprise the advances received for the Group's products which are to be supplied to these customers within a twelve-month period.

23. Taxes payable, other than income tax

Taxes payable, other than income tax consisted of the following:

	31 December 2020	*31 December 2019*
VAT payable	1,970	1,091
Accrued and withheld payroll taxes	1,395	2,396
Other miscellaneous taxes payable	858	669
	4,223	**4,156**

(in US dollars and in thousands)

24. Cost of sales

Cost of sales consisted of the following:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Materials	(268,811)	(454,193)
Foreign exchange cash flow hedge (Note 36)	(83,689)	(54,695)
Energy and utilities	(76,007)	(102,433)
Payroll and related expenses *	(59,266)	(75,216)
Depreciation	(51,754)	(61,878)
Rolling tools and instruments	(21,470)	(24,323)
Repairs and maintenance	(11,728)	(18,152)
Variable land lease payments	(6,234)	(6,133)
Land tax	(185)	(204)
Reversal of adjustment of inventories to NRV, net (Note 13)	9,166	17,757
Other	(27,550)	(30,483)
	(597,528)	**(809,953)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 11,077 thousand for the year ended 31 December 2020 (31 December 2019: USD 13,184 thousand).

25. Selling and distribution expenses

Selling and distribution expenses consisted of the following:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Forwarding and transportation services	(49,813)	(59,102)
Customs services and duties	(14,811)	(44,330)
Payroll and related expenses*	(10,804)	(19,004)
Storage and packaging expenses	(5,675)	(7,170)
Professional fees, related to market research, and other service fees	(4,116)	(4,574)
Sales agency fees	(2,399)	(1,167)
Depreciation	(795)	(1,012)
Advertising and promotion	(673)	(716)
Insurance expense	(140)	(40)
Expected credit impairment reversal of trade receivables, net (Note 35)	103	2,128
Other	(732)	(1,949)
	(89,855)	**(136,936)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 984 thousand for the year ended 31 December 2020 (31 December 2019: USD 2,332 thousand).

26. General and administrative expenses

General and administrative expenses consisted of the following:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Payroll and related expenses	(20,136)	(23,515)
Professional fees	(8,759)	(10,319)
Depreciation and amortisation	(2,573)	(2,690)
Business trips and transportation	(808)	(2,134)
Rent (for items exempt under IFRS 16 – low-value and short-term)	(708)	(607)
Communication	(465)	(452)
Bank fees	(437)	(421)
Insurance expense	(394)	(488)
Taxes, other than income tax	(354)	(798)
Repairs and maintenance	(245)	(374)
Other	(1,463)	(1,716)
	(36,342)	**(43,514)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 2,018 thousand for the year ended 31 December 2020 (31 December 2019: USD 2,036 thousand).

(in US dollars and in thousands)

Auditors' remuneration

Auditors' remuneration for the year ended 31 December 2020 is included in professional fees above and comprises statutory audit fee for the audit of the Consolidated Financial Statements and stand-alone financial statements of certain Group subsidiaries of USD 561 thousand (2019: USD 620 thousand) as well as non-audit fees of USD 269 thousand (2019: USD 43 thousand).

27. Other operating income and expenses

Other operating income and expenses consisted of the following:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Maintenance of social assets	(5,754)	(1,323)
Customers' and other claims, net of reversals	(2,386)	211
(Write-off) / reversal of impairment of prepayments and other assets	(704)	7,001
Impairment of other assets	(381)	(686)
(Loss) / gain on disposal of by-products	(175)	156
Gain / (loss) on disposal of property, plant and equipment and intangible assets	1,096	(2,542)
Other gain / (loss), net	2,248	1,030
	(6,056)	**3,847**

28. Operating and non-operating foreign exchange difference

Foreign currency translation differences on monetary assets and liabilities consisted of the following;

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Operating foreign exchange gains / (losses) originated on		
trade accounts receivable	85,156	(45,034)
settlements with suppliers	(16,035)	3,448
other operating exchange difference	8,329	(11,210)
	77,450	**(52,796)**
Non-operating foreign exchange gains / (losses) originated on		
loans payable other than those designated as hedging items	1,510	(398)
cash balances	16,551	(2,255)
	18,061	**(2,653)**

29. Finance income

Finance income consisted of the following:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Exit Fee de-recognition (Note 19)	27,066	-
Interest income	1,821	2,684
Other finance income	6,972	99
	35,859	**2,783**

(in US dollars and in thousands)

30. Finance costs

Finance costs consisted of the following:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Interest expense prior to the Restructuring	-	(114,331)
Interest expense on the Restructured borrowings (Note 19)	(18,185)	(7,730)
Performance Fee re-measurement (Note 19)	(5,329)	(1,058)
Defined benefit state pension plan interest costs (Note 20)	(4,369)	(4,586)
Subordinated Loan discount unwinding (Note 18)	(4,365)	-
Exit Fee re-measurement (Note 19)	(2,523)	(436)
Insurance expenses	(1,359)	(1,955)
Retirement benefit plan interest costs (Note 20)	(301)	(336)
Other finance costs	(2,313)	(512)
	(38,744)	**(130,944)**

31. Equity

The Group was formed in April – September 2006 through a series of transactions that ultimately resulted in the Former Parent obtaining controlling ownership interest in the subsidiaries from entities which were under common control at the time of the above reorganisation. As part of the reorganisation all the shares of the Former Parent have been transferred to and, since 2006 are ultimately held by a number of discretionary trusts established to operate the Group as well as certain other investments.

In the course of the legal reorganization of the Group, as disclosed in Notes 1 and 32 to the accompanying Consolidated Financial Statements, the Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity the Former Parent.

As part of the Restructuring in 2019 (Note 2), the new parent for the Group (the Company), with substantially the same ownership structure (held by the same discretionary trusts) as the Former Parent (see details below), was established. Accordingly, the Former Parent became a subsidiary of the Company and an interim holding company within the Group holding structure.

Mr. Viktor Pinchuk, a citizen of Ukraine, and his family members are beneficiaries of these discretionary trusts. The trustees engaged to manage the trusts are professional, experienced and reputable trust management companies.

Issued capital and capital distribution of the Former Parent (Interpipe Limited)

Upon its incorporation on 30 December 2005, the Former Parent issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of CY£1 each at par. On 22 December 2006 the Former Parent issued 4,000 additional ordinary shares of CY£1 each at a premium of CY£ 41,033 each for a total premium of CY£164,132 thousand, which is equivalent to USD 361,091 thousand, translated at historic rate.

During the period from March to June 2008 a set of amendments was made to the authorised share capital of the Former Parent, including conversion of the authorised share capital into euro, a subdivision of existing shares, a merge of the Company's shares and two additional issues of shares both before the merge and after it.

In December 2011, the Former Parent issued 1,950,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 26 thousand) at a premium of EUR 25 each for a total premium of EUR 48,591 thousand, which is equivalent of USD 64,974 thousand, translated at historic rate.

In 2019, the Former Parent issued 50,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 1 thousand). This newly issued shares of the Former Parent were allocated to the Company in exchange for contribution of the Group intercompany loans (which the Company became party to in a capacity of the lender - as a result and consequence of assignments of the third-party borrowings from the Group non-Cyprus subsidiaries to the Company to act in a capacity of the borrower to such external third-party lenders as was required by the Restructuring terms and conditions) in two transactions as follows:

(i) the first lot of 25,000 ordinary shares at a premium of EUR 15,800 thousand each for a total premium of EUR 395 million, which is equivalent of USD 434 million, translated at historic rate, and

(ii) the second lot of 25,000 ordinary shares at a premium of EUR 4,640 thousand each for a total premium of EUR 116 million, which is equivalent of USD 129 million, translated at historic rate.

As a result of the above mentioned transactions, as at 31 December 2020 and 2019, the number of shares amounted to 4,002,000,000 and 4,001,950,000 ordinary shares, respectively, of EUR 0.01 each and the authorised, issued and fully paid capital of the Former Parent amounted to EUR 40,020 thousand and EUR 40,019 thousand, respectively (equivalent of USD 62,305 thousand and USD 62,304 thousand, respectively). The shares of the Former Parent are not listed.

Issued capital and capital distribution of the Company (Interpipe Holdings PLC)

Upon its incorporation on 4 April 2019, the Company issued and allotted to the subscribers of its Memorandum of Association 5,000 ordinary shares of EUR 1 each (equivalent of USD 6 thousand). Further, on 11 July 2019, the Company issued additional 25,000 ordinary shares of EUR 1 each (equivalent of USD 28 thousand) and allotted them to substantially the same subscribers as upon its incorporation.

The subscribers under the Company's Memorandum of Association (as well as under the further additional subscription) are the same discretionary trusts – shareholders of the Former Parent. The allocation of the Company's shares retain the same holding structure of the shareholders as existed in the Former Parent's share capital.

The following transactions with the Company's ordinary shares were carried out in 2019, prior to the Restructuring Effective Date:

(i) All, but one, of the Company's shareholders have exchanged 4,001,949,200 ordinary shares in the Former Parent for the Company's 4,340 ordinary shares retaining the holding structure and proportions vis-à-vis each other substantially the same as existed in the share capital of the Former Parent. The exchange resulted in (i) the Former Parent becoming a 99.99998% subsidiary of the Company and (ii) par value of the shares of EUR 4,340 (equivalent of USD 5 thousand) were exchanged for the respective value of the Former Parent equity in amount of EUR 40,015 thousand (equivalent of USD 44,282 thousand) thus, at a premium of USD 44,277 thousand, (iii) the Group retained the same composition and structure which assured seamlessness of the Group corporate reporting framework and (iv) the remainder 800 ordinary shares of the Former Parent are retained by one of the Company's shareholders and constitute a minority interest of 0.00002% for the Company holding the Former Parent as well as has immaterially (USD 28 thousand) dilutive impact on the Group subsidiaries effective ownership (Note 32).

(ii) One of the shareholders paid USD 50 million cash equity contribution (as required by the Restructuring – Note 2) in exchange for the Company's 10 ordinary shares with par value of EUR 10 (equivalent of USD 0 thousand) thus, at a premium of USD 50,000 thousand.

The shares of the Company are not listed.

Unpaid share capital

As at 31 December 2020, the Company's 25,650 ordinary shares at par value of EUR 26 thousand (equivalent of USD 31 thousand and USD 29 thousand as at 31 December 2020 and 2019) remained unpaid.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of property, plant and equipment as well as decreases to the extent that such decreases relate to any prior increase on the same asset previously recognised in OCI. Revaluation reserve is limited in respect of dividends distribution.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations denominated in their respective functional currencies into the Group reporting currency as well as monetary items that form part of the net investment in these foreign operations.

Cash flow hedge reserve

Cash flow hedge reserve is used to record the effective portion of the gain or loss on the hedging instrument in other comprehensive income. Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale occurs.

Dividends payable by the Company and its subsidiaries

There were no dividends declared by the Company or its subsidiaries and/or by the Former Parent or its subsidiaries that should be paid to the shareholders for the years ended 31 December 2020 and 2019.

In March 2021 subsequent to the occurrence of the Final Repayment Date (Note 2), which resulted in elimination of restriction for dividend payout, the Company has declared and paid dividends in the amount of USD 40,000 thousand.

(in US dollars and in thousands)

32. Principal subsidiaries

The Group included the following subsidiaries as at 31 December 2020 and 2019:

Name of the company	*Country of incorporation*	*Business activities*	*Effective ownership* 31 December 2020	*Effective ownership* 31 December 2019
PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant"	Ukraine	Production of seamless pipes and railway wheels	94,75040%	93,92998%
JSC "Interpipe Novomoskovsk Pipe-Production Plant"	Ukraine	Production of welded pipes	90,07474%	89,23998%
"Interpipe Niko Tube" LLC	Ukraine	Production of seamless pipes	99,99998%	99,99998%
"MP "Dneprosteel" LLC	Ukraine	Production of steel billets	99,99998%	99,99998%
"Dneprosteel-Energo" LLC	Ukraine	Resale of electricity	99,99998%	99,99998%
"Transkom - Dnepr" LLC	Ukraine	Transportation services	99,99998%	99,99998%
"Limestone factory" LLC	Ukraine	Production of limestone	94,75038%	93,93998%
Society "Dishware Novomoskovsk" Ltd	Ukraine	Production of dishware	90,07472%	89,23998%
JSC "Interpipe Dneprovtormet"	Ukraine	Scrap metal processing	98,67334%	98,66998%
"META" LLC	Ukraine	Scrap metal processing	98,57467%	98,66998%
"Luganskiy Kombinat Vtormet" LLC	Ukraine	Scrap metal processing, dormant company	98,67332%	98,66998%
"Research and development center "Quality" LLC	Ukraine	Research and development	99,99998%	99,99998%
"Interpipe Management" LLC	Ukraine	Management services	99,99998%	99,99998%
"Interpipe Ukraine" LLC	Ukraine	Trading	99,99998%	99,99998%
"KLW Ukraine" LLC (former "KLW Production" LLC)	Ukraine	Trading	99,99998%	99,99998%
"Interpipe-M" LLC	Russia	Trading	99,99998%	99,99998%
"Interpipe Kazakhstan" LLC	Kazakhstan	Trading, dormant company	99,99998%	99,99998%
Interpipe Europe SA	Switzerland	Trading	99,99998%	99,99998%
Klw-Wheelco SA	Switzerland	Trading	99,99998%	99,99998%
North American Interpipe, Inc	The United States	Trading	99,99998%	99,99998%
Interpipe M.E, a free zone establishment with limited liability	The United Arab Emirates	Trading	99,99998%	99,99998%
Interpipe Central Trade GmbH	Germany	Trading	99,99998%	99,99998%
Steel.One Limited	Cyprus	Subholding	99,99998%	99,99998%
KLW Limited (former Saleks Investments Limited)	Cyprus	Subholding	99,99998%	99,99998%
Interpipe Limited	Cyprus	Former Parent Subholding,	99,99998%	99,99998%
Interpipe Investments PLC	Cyprus	Performance Fee Debtor	94,00000%	94,00000%

Except rearrangements within the holding structure of the Group (introduction of the Company, as a new holding company, instead of the Former Parent), establishment of Interpipe Investments PLC, acting as the Performance Fee Debtor – as was required by the Restructuring, and non-controlling interest acquisition in PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant", JSC "Interpipe Novomoskovsk Pipe-Production Plant", JSC "Interpipe Dneprovtormet" there were no new acquisitions in 2020 and 2019.

(in US dollars and in thousands)

33. Related party transactions

The Group defines related parties in accordance with IAS 24 "Related Party Disclosures". IAS 24 focuses significantly on the concept of "control" (including common control) and "significant influence" as primary methods of related party identification.

During years ended 31 December 2020 and 2019, the Group's transactions with its related parties comprised those with its associates (Note 10), shareholders, key management personnel and other related parties.

Transactions with associates and other related parties

The transactions and outstanding balances of the Group with its related parties are presented below:

	2020			*2019*		
	Associates	*Other*	*Total*	*Associates*	*Other*	*Total*
Transactions:						
Sales	1,575	114	1,689	2,261	1,599	3,860
Purchases	6,716	8,298	15,014	10,319	6,451	16,770
General and administrative expenses	-	74	74	-	149	149
Finance income	-	212	212	-	1,343	1,343
Outstanding balances:						
Cash and cash equivalents	-	-	-	-	9,118	9,118
Amounts owed to the Group	7,672	41	7,713	9,706	292	9,998
Amounts owed by the Group	5,811	413	6,224	6,605	433	7,038

Terms and conditions of transactions with associates and other related parties

The sales to and purchases from the related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2020, the Group has recorded an impairment charge relating to receivables from the related parties amounting to USD 1,835 thousand (2019: 2,911 thousand). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

As at 31 December 2019, cash and cash equivalents in the related party bank comprised USD 9,118 thousand, respectively. This amount consists of cash on current accounts and/or in transit and bank deposits including guarantee deposits maturing in less than 3 months from the respective balance sheet dates (Note 17). On 2 August 2020 the Bank ceased to qualify as a related party. Finance income in 2020 (till 2 August 2 2020 inclusively) amounting to USD 212 thousand (2019: USD 1,343 thousand) relates to interest paid by the related party bank to the Group.

Transactions with shareholders

Subordinated Loan

Details of the Subordinated Loan are disclosed in Note 18.

Equity contributed by shareholders as a result of the Restructuring

In 2019, in the context of the Restructuring, one of the Company's shareholders contributed USD 50,000 thousand cash equity as well as provided the Group with a standby letter of credit in the amount of USD 20,000 thousand (Notes 2, 31).

Accounts payable to shareholders

As at 31 December 2020, accounts payable to shareholders, included in other accounts payable and, amounted to USD 257 thousand, (2019: USD 236 thousand) were interest free, unsecured and payable on demand. On March 2021 the dividends were distributed and paid to the shareholders (Note 31).

(in US dollars and in thousands)

Compensation to key management personnel

Key management personnel of the Group as at 31 December 2020 comprised:

The members of the Board of Directors:

Name	Function
Ganna Khomenko	Non-Executive Director
Yakiv Konstantynivs'ky	Non-Executive Director
Iuliia Chebotarova	Non-Executive Director
Philippe Bideau	Independent Non-Executive Director
Fadi Khraybe	Non-Executive Director
Oleksandr Kirichko	Non-Executive Director
Tomas Mayer Kearney	Independent Non-Executive Director
Fiona Jane Mary Paulus	Independent Non-Executive Director
Artem Poliakov	Chief Executive Officer of Interpipe Holdings PLC

Senior Management of the Group as at 31 December 2020 and 2019 comprised eleven persons (including the CEO who is also a member of the Board of Directors).

For the year ended 31 December 2020, total compensation, comprising short-term employee benefits, to the members of the Board of Directors amounted to USD 1,736 thousand (2019: USD 2,082 thousand) and total compensation to the members of Senior Management of the Group amounted to USD 4,723 thousand (2019: USD 6,189 thousand). The compensation was included in general and administrative expenses in the consolidated statement of comprehensive income.

In addition to the above no other incentives were attributable to the key management personnel of the Group.

34. Commitments, contingencies and operating risks

Operating environment

The Group has significant operations in Ukraine and, to a substantially lower and diminishing scope, in Russia and some other CIS countries, whose economies while deemed to be of market status continue to display certain characteristics consistent with those of an economy in transition. These characteristics include, but are not limited to low levels of liquidity in the capital markets, relatively high inflation and the existence of currency controls which cause the national currencies to be illiquid outside of these countries. These countries continue economic reforms and development of their legal, tax and regulatory frameworks as required by a market economy. The future stability of the economies is largely dependent upon the success of these reforms and the effectiveness of economic, financial and monetary measures undertaken by their governments. As a result, operations in Ukraine, Russia and other CIS countries involve risks that are not typical for developed markets.

All of the above factors, as disclosed in Note 2 "Operating environment and risks of the Group", had already affected and may have a further adverse effect on the Group's consolidated financial position and results of operations.

Taxation

Ukrainian as well as Russian and other CIS countries' legislations and regulations regarding taxation and other regulatory matters, including currency exchange control and custom regulations, continue to evolve. The legislations and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations continue to be not unusual.

The Ukrainian tax authorities have been seen to consistently increase their audit activity for transactions with non-resident entities, to which they seek to apply such relatively new requirements as "beneficial ownership", "substance over form", and other similar principles. They also have started to enforce more vigorous and stringent transfer pricing rules introduced in Ukraine in 2013. The transfer pricing legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation.

Management has implemented internal controls to be in compliance with such regulatory and tax compliance matters in the countries where the Group operates, including new Ukrainian transfer pricing legislation and believes that its interpretation of the relevant legislations is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable. Where the risk of outflow of resources is probable, the Group has accrued tax liabilities based on management's best estimate.

Nevertheless, the uncertainty related to inconsistent enforcement and application of the tax legislation in the above countries creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities, which cannot be reliably estimated, but, if sustained, could have a material effect on the Group's financial position, results of operations and cash flows. Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises operating in Ukraine, Russia or other CIS countries. When it is not considered probable that a material claim will arise, no provision has been established in the Consolidated Financial Statements. Management further believes that ascertained risks of possible outflow of resources arising from tax and other regulatory compliance matters are immaterial as at 31 December 2020 and 2019.

Litigations

As at 31 December 2020 and 2019, the Ukrainian subsidiaries of the Group were defendants in several litigations with a total potential claimed payments amounting to approximately USD 325 thousand and USD 487 thousand, respectively. Provision for probable adverse consequences of the above cases in full amount was included in total provision for customers' and other claims in the Consolidated Statement of Financial Position as at 31 December 2020 and 2019, respectively (Note 20).

Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the consolidated financial position or the results of future operations of the Group.

Perpetual land lease rights

The Group has the right of permanent use of the land plots on which its Ukrainian production facilities are located, and pays land tax as assessed annually by the state based on the total area and use for which the land is zoned. The Group assessed the terms of land plots permanent use arrangements and concluded that related payments should not be capitalised as they do not meet respective criteria set by IFRS 16.

Contractual commitments for the acquisition of property, plant and equipment

As at 31 December 2020 and 2019, the Group's contractual commitments for acquisition and modernisation of production equipment amounted to USD 25,426 thousand and USD 10,510 thousand, respectively.

(in US dollars and in thousands)

35. Financial instruments

Carrying amount of financial assets

The carrying amounts of financial assets measured at amortized costs consisted by categories of the following:

	31 December 2020	*31 December 2019*
Trade and other accounts receivable (Note 14)	105,230	120,255
Other current assets	8,700	13,202
Cash and cash equivalents (Note 17)	96,631	256,148
	210,561	**389,605**

None of the above assets is individually materially credit-impaired and there has been no significant increase in credit risk since initial recognition. The amounts presented above also represent the maximum exposure to credit risk.

The loss allowance as at 31 December 2020 and 2019 is based on the simplified approach for lifetime expected credit losses and is presented in the table below.

	Expected credit loss weighted rate 2020	*Expected credit loss weighted rate 2019*	*31 December 2020*	*31 December 2019*
Current	3%	2%	1,436	1,329
Past due up to 3 month	5%	7%	1,963	2,028
Past due from 3 month up to 6 month	7%	27%	246	1,864
Past due over 6 month	49%	42%	4,770	5,254
Total expected credit loss			**8,415**	**10,475**

A reconciliation of the changes in the loss allowance is set out below:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
At period beginning	10,475	13,481
Recovery for the year (Note 25)	(103)	(2,128)
Write-off	(1,092)	(1,339)
Translation difference	(865)	461
At period end	**8,415**	**10,475**

Carrying amount of financial liabilities

The carrying amounts of financial liabilities measured at amortized costs comprised:

	31 December 2020	*31 December 2019*
Subordinated Loan (Note 18)	46,827	42,462
Borrowings and interest payable (Note 19)	117,089	416,840
Trade and other accounts payable (Note 21)	57,104	59,718
	221,020	**519,020**

(in US dollars and in thousands)

Changes in liabilities arising from financing activities:

	1 January 2020	*Changes from financing cash flows*	*The effect of changes in foreign exchange rates*	*Interest, finance costs and other changes*	*31 December 2020*
Borrowings and interest payable (Note 19):					
General Loan Facility	-	44,905	-	555	45,460
New Notes	309,192	(302,720)	-	-	6,472
New WC Loans	22,500	(22,500)	-	-	-
Exit Fee	24,543	-	-	(24,543)	-
Performance Sharing Fee	59,619	-	-	5,329	64,948
Lease liability	2,169	-	-	(508)	1,661
Interest accrued but not paid	986	-	-	(777)	209
	419,009	(280,315)	-	(19,944)	118,750
Subordinated Loan (Note 18)	42,462	-	-	4,365	46,827
Total	**461,471**	**(280,315)**	**-**	**(15,579)**	**165,577**

	1 January 2019	*Changes from financing cash flows*	*The effect of changes in foreign exchange rates*	*Interest, finance costs and other changes*	*31 December 2019*
Borrowings and interest payable (Note 19)					
Borrowings and interest payable	1,376,570	-	-	(1,376,570)	-
New Facility Agreement	-	(45,808)	-	45,808	-
New Notes	-	-	-	309,192	309,192
New WC Loans	-	(22,500)	-	45,000	22,500
Exit Fee	-	-	-	24,543	24,543
Performance Sharing Fee	-	-	-	59,619	59,619
Lease liability	-	-	-	2,090	2,090
Interest accrued but not paid	-	-	-	986	986
Interest payable on lease liability	-	-	-	79	79
	1,376,570	(68,308)	-	(889,253)	419,009
Subordinated Loan (Note 18)	59,938	-	(26,742)	9,266	42,462
Total	**1,436,508**	**(68,308)**	**(26,742)**	**(879,987)**	**461,471**

36. Financial risk management

The Group's principal financial instruments comprise trade receivables and payables, interest bearing loans due to banks, bonds issued, cash and cash equivalents. The main purpose of these financial instruments is to provide funding for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The Group may also from time to time enter into derivative transactions, primarily forward currency contracts. The purpose is to manage currency risks arising from Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

Foreign currency risk

The Group performs its operations mainly in the following currencies: the Ukrainian hryvnia ("UAH"), the US dollar ("USD"), the Euro ("EUR") and the Russian rouble ("RUB").

The exchange rate of USD to UAH and related cross-rates to other currencies as set by the National Bank of Ukraine ("NBU") as at the dates stated were as follows:

(in US dollars and in thousands)

	100 UAH	*1 EUR*	*100 RUB*
As at 31 December 2020	3.537	1.229	1.338
As at 31 December 2019	4.222	1.115	1.611

The Group sells its products to Europe, Russia, Middle East and Africa, Americas and other regions; purchases materials from other countries; and attracts substantial amounts of foreign currency denominated short-term and long term borrowings, and is, thus, exposed to foreign exchange risk. Foreign currency denominated trade receivables and payables, and borrowings give rise to foreign exchange exposure.

The following tables demonstrate USD equivalents of the monetary assets and liabilities originally denominated in different currencies, as at 31 December 2020 and 2019:

As at 31 December 2020	*UAH*	*USD*	*EUR*	*RUB*	*Other*	***Total***
Other non-current assets	43	125	-	-	-	**168**
Trade and other accounts receivable	26,063	56,151	21,025	1,897	94	**105,230**
Cash and bank deposits	30,007	62,496	3,178	165	785	**96,631**
	56,113	**118,772**	**24,203**	**2,062**	**879**	**202,029**
Subordinated Loan	-	46,827	-	-	-	**46,827**
Borrowings and interest payable	-	73,290	45,460	-	-	**118,750**
Trade and other accounts payable	36,464	12,005	8,443	71	121	**57,104**
	36,464	**132,122**	**53,903**	**71**	**121**	**222,681**

As at 31 December 2019	*UAH*	*USD*	*EUR*	*RUB*	*Other*	***Total***
Other non-current assets	131	125	-	-	-	**256**
Trade and other accounts receivable	41,048	53,372	23,094	2,717	24	**120,255**
Cash and bank deposits	33,619	158,512	31,404	32,162	451	**256,148**
	74,798	**212,009**	**54,498**	**34,879**	**475**	**376,659**
Subordinated Loan	-	42,462	-	-	-	**42,462**
Borrowings and interest payable	-	419,009	-	-	-	**419,009**
Trade and other accounts payable	35,965	8,064	15,144	500	45	**59,718**
	35,965	**469,535**	**15,144**	**500**	**45**	**521,189**

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant:

For the year ended 31 December 2020	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+15.00%	45,599	(93,752)
EUR/UAH	+16.00%	10,106	(7,274)
RUB/UAH	+20.00%	391	-
EUR/USD	+10.00%	(21,400)	-
USD/UAH	-12.00%	(36,479)	75,001
EUR/UAH	-14.00%	(8,843)	6,364
RUB/UAH	-16.00%	(313)	-
EUR/USD	-9.00%	19,260	-

(in US dollars and in thousands)

For the year ended 31 December 2019	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+14.00%	30,676	(129,422)
EUR/UAH	+15.00%	16,616	-
RUB/UAH	+16.00%	5,489	-
EUR/USD	+8.00%	(7,456)	-
USD/UAH	-11.00%	(24,102)	101,689
EUR/UAH	-13.00%	(14,401)	-
RUB/UAH	-14.00%	(4,803)	-
EUR/USD	-8.00%	7,456	-

Cash flow hedging of the future intragroup revenues

On 1 January 2014 a portion of future monthly intragroup export revenues expected to be received in USD and EUR over the period from January 2014 through December 2020 were designated as the hedged item. The USD and EUR denominated third-party borrowings were designated as the hedging instruments. As at 31 December 2020 cash flow hedging of the future intragroup revenues has been expired and remaining foreign exchange cash flow hedge reserve has been reclassified to Cost of sales. As at 31 December 2020 the Group did not designate new hedge instruments.

The impact of hedge operation on other comprehensive income is comprised of the following:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Foreign exchange cash flow hedges total charge	-	44,899
Total foreign exchange loss recognised in OCI	-	44,899
Reclassification of the foreign exchange loss to Cost of sales (Note 24)	83,689	54,695
Total reclassification of the foreign exchange loss to profit and loss	83,689	54,695
Net effect of cash flow hedge accounting	**83,689**	**99,594**

Net investments in foreign operations

On 1 January 2014, the Company designated certain intragroup financial instruments which settlement was neither planned nor likely to occur in the foreseeable future, as net investments in a number of its Ukrainian subsidiaries in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”. Such financial instruments comprised of intercompany loans and, in some cases, other long-term receivables and payables. Accordingly, foreign exchange differences arising on such financial instruments after the designation date had been recognised in other comprehensive income.

As at 31 December 2020 and 2019, the accumulated balance of exchange differences on net investment in foreign operations amounted to USD 799,638 thousand and USD 645,281 thousand, respectively.

The impact of exchange differences on other comprehensive income comprises:

	For the year ended 31 December 2020	*For the year ended 31 December 2019*
Exchange differences on translation of foreign operations (other than financial instruments designated as net investments)	(45,962)	19,755
Net foreign exchange loss from financial instruments designated as part of net investments in foreign operations	(154,357)	95,837
	(200,319)	**115,592**

(in US dollars and in thousands)

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and borrowings.

The Group analyses the ageing of its assets and the maturity of its liabilities and plans its liquidity depending on expected repayment of various instruments. In the case of insufficient or excessive liquidity in individual entities, the Group relocates resources and funds among the Group entities to achieve optimal financing of business needs of each entity.

The table below summarises the maturity profile of the Group's financial liabilities based on their contractual undiscounted payments (estimated for contingent liabilities of the Performance Sharing Fee and the Exit Fee) and maturities (Notes 2 and 19):

As at 31 December 2020	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Subordinated loan	-	-	69,204	-	69,204
General Loan Facility	-	-	54,914	-	54,914
New Notes	-	-	6,472	-	6,472
Performance Sharing Fee	-	-	85,299	-	85,299
Lease liability	346	281	1,034	-	1,661
Interest payable	209	-	-	-	209
Trade and other accounts payable	57,104	-	-	-	57,104
	57,659	**281**	**216,923**	**-**	**274,863**

As at 31 December 2019	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Subordinated loan	-	-	-	69,204	69,204
New Notes	-	31,692	420,586	-	452,278
New WC Loans	-	23,943	-	-	23,943
Exit Fee	-	-	40,000	-	40,000
Performance Sharing Fee	-	-	-	123,500	123,500
Lease liability	431	264	1,776	-	2,471
Interest payable	986	-	-	-	986
Trade and other accounts payable	59,718	-	-	-	59,718
	61,135	**55,899**	**462,362**	**192,704**	**772,100**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations (Note 19). The Group's policy is to manage its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The following table demonstrates the annualised sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all other variables held constant:

For the year ended 31 December 2020	*High / low limits of change in interest rate, %*	*Effect on profit before tax*
Interest rate	-1%	520
Interest rate	+1%	(520)

For the year ended 31 December 2019	*High / low limits of change in interest rate, %*	*Effect on profit before tax*
Interest rate	-1%	3,317
Interest rate	+1%	(3,317)

Credit risk

(in US dollars and in thousands)

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of bank deposits (Notes 15 and 17) and trade and other accounts receivable (Note 14).

Cash in banks is placed with the financial institutions, which are considered to have minimal risk of default at the time of deposit.

	31 December 2020	*31 December 2019*
As rated by Fitch:		
AA	3,764	8,806
A	33,063	167,422
BBB	675	1,431
B	33,176	70,764
Not rated and other	25,953	7,725
	96,631	**256,148**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. Most of the Group's sales are made to customers with an appropriate credit history or on a prepayment basis. The Group does not require collateral in respect of its financial assets. The credit risk exposure of the Group is monitored and analysed on a case-by-case basis. Based on historical collection statistics, the Group's management believes that there is no significant risk of loss to the Group beyond the impairment allowances already recognised against the assets. The maximum exposure to the credit risk is represented by the carrying amounts of the financial assets that are carried in the consolidated statement of financial position.

Capital risk management

The Group considers its debt and shareholders' equity as the primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits to other stakeholders as well as to provide financing of its operating requirements, capital expenditures and the Group's development strategy.

	31 December 2020	*31 December 2019*
Borrowings and interest payable	118,750	419,009
Trade and other accounts payable	57,104	59,718
Less: Cash and cash equivalents	(96,631)	(256,148)
Net debt	**79,223**	**222,579**
Equity	520,486	449,208
Capital and net debt	**599,709**	**671,787**
Gearing ratio	13%	33%

The Group's capital management policies aim to ensure and maintain an optimal capital structure, to reduce the overall cost of capital and to provide flexibility relating to the Group's access to capital markets. Furthermore, the Group makes its investment decisions taking into consideration its capital structure.

(in US dollars and in thousands)

Risk of change in value / timing of the payment of the Performance Sharing Fee

As discussed in the Notes 2 and 19, the value of the Performance Sharing Fee depends on the Final Repayment Date occurrence moment in time (in January 2021 the Company redeemed in full the New Notes – Note 37) and the number of years elapsing from the Restructuring Effective Date till the start of the relevant annual period within the Fee Assessment Period. The Performance Sharing Fee valuation also depends on the level of the Group performance during the Fee Assessment Period (consolidated EBITDA for the three consecutive annual periods – currently is based on an estimated notional amount of USD 190 million per annum) as well as on EIR applied in determination of its carrying amount (amortized cost) as at 31 December 2020 – currently applied 10.25% p.a..

The table below summarises the Performance Sharing Fee change (+ or –) of its carrying amount of USD 64,948 thousand as at 31 December 2020 depending on (i) change of the notional amount by USD 10 million (to USD 180 million / USD 200 million) per annum during the Fee Assessment Period and (ii)&(iii) changes in the EIR by 1% (to 11.25% p.a. / 9.25% p.a.) used in the Performance Sharing Fee fair value determination as at 31 December 2020:

EBITDA change by USD 10 mio (plus/minus) – (i)	3,396
Market rate at 11.25% (plus 1.00%) – (ii)	(1,640)
Market rate at 9.25% (minus 1.00%) – (iii)	1,702

Fair values of financial instruments

The fair value of the Groups' financial instruments disclosed in the Note 7.

37. Events after the reporting period

In January 2021, Fadi Khraybe, was appointed Chairman of the Board of Directors. In February 2021, after Artem Poliakov resigned from the position of the Director of the Board of Directors and the CEO of the Company, Fadi Khraybe was appointed as a Chief Executive Officer of the Company.

On 26 January 2021, the Company redeemed in full the New Notes repaying the outstanding principal of USD 6,472 thousand including the interest accrued to the date, hence achieving the Final Repayment Date in definition of the Restructuring terms and conditions (Note 2). The pledges and the restrictions imposed by the Restructuring were released, accordingly (Note 19). Since, amongst other incumbrances released, the restriction on dividends distribution was lifted – in March 2021 the Group has declared and paid dividends to the shareholder in the amount of USD 40,000 thousand.

The events after the balance sheet date, which relate to the operating environment of the Group are disclosed in the Note 2.