INTERPIPE HOLDINGS PLC

Consolidated Financial Statements
Year ended 31 December 2021 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 "Interpipe" or the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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 Note 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 33 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.

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 competitiveness in a short and longer term. In 2021 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.

Such initiatives include inter alia an 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 (Oil Country Tubular Goods in compliance with American Petroleum Institute standards) premium market (growing sales of Interpipe's proprietary premium connections in Ukraine, Middle East / North Africa region (MENA) and USA) 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 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.

Notwithstanding COVID-19, as a result of the different initiatives in 2021 and 2020, the Group delivered sound operational performance (see Note 6 for EBITDA dynamics) and financial results: the Group generated revenue from sales of USD 1,132.9 million (USD 865.1 million for 2020). The Pipes business segment accounted for 70% of the revenue from sales, the Railway Wheels business segment accounted for 25% of the revenues and the Steelmaking segment accounted for 4% of the revenues in 2021. Further segment information is disclosed in Note 6 to the accompanying Consolidated Financial Statements.

Principal Risks and Uncertainties and Going concern

The Group is largely exposed to the risks of operating environment in Ukraine.

Before 24 February 2022, the Ukrainian economy while deemed to be of market status continued to display characteristics consistent with that of an economy in transition. These characteristics included, but were not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation and a significant level of domestic and foreign state debt.

On 24 February 2022, the Russian Federation started a military invasion of Ukraine. As at today's date, active conflict is underway in and around several major Ukrainian cities, including Kharkiv, Kherson, Mykolaiv, Mariupol and other cities and towns across the south and east of the country. Casualty numbers, both civilian and military, have been increasing, and Ukraine continues to suffer extensive damage to its physical infrastructure. The logistics routes in occupied territories were damaged and there is no access to them. Other railway and car logistic route are available for limited usage as Ukraine has extensive road and railway network. All ports in Black and Azov Sea aquatorium stopped to work due to armed conflict in the territory of Ukraine, including seas' areas, and export made via sea ports were fully frozen.

Management of the Group has reorganized the business process based on the following key assumptions:

- no further significant progression of Russian troops into the territory of Ukraine and no further escalation of military actions that could severely affect the Group's assets;
- Ukrainian logistics systems, both automobile and railroad, will allow internal and export shipments to be carried in a limited volumes at least;
- the Group's operations will be focused on losses minimization, cash outflows reduction combined with the support of the key personnel together with core equipment functionality maintenance and preservation.

The Group will seek to utilize all available logistic channels in a most efficient way for the purpose of the products shipments facilitation and respective improvement of the financial position.

Further discussion on the operating environment and related risks of the Group 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 35, 37 and 38 to the accompanying Consolidated Financial Statements.

Main Strategic Objectives

The Group's key long-standing 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 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 in the process of implementation of its strategic investment programme which should enable the Group's 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.

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 2021, 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 32 to the accompanying Consolidated Financial Statements.

Information relating to dividends payable by the subsidiaries is disclosed in Note 32 to the accompanying Consolidated Financial Statements. The Company declared and paid dividends in 2021 in the amount of USD 230,000 thousand.

Board of Directors

As at 31 December 2021 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
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
Fadi Khraybe	Chief Executive Officer of Interpipe Holdings PLC	1 November 2016

* In 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 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 at which he had been appointed in October 2020;
- In February 2021, Fadi Khraybe was appointed as a Chief Executive Officer of the Company;
- In February 2022, Franz Josef Marx was appointed as a Director of the Company;
- In March 2022, Franz Josef Marx was appointed as a Chief Executive Officer of the Company (replacing Fadi Khraybe on this position) with a suspension of his duties for the 3 months until the 31st of May 2022;
- In March 2022, Andrii Korotkov was appointed as a Chief Executive Officer of the Company replacing Franz Josef Marx on this position during suspension period.

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 38 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:

Chief Executive Office — Andrii Korotkov

Sergiy Kuz'menko

25 May 2022

STATEMENT OF THE DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 2021 were authorised for issue on 25 May 2022.

Chief Executive Office — Andrii Korotkov

Sergiy Kuz'menko

25 May 2022

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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 2021, 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 2021, 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.

Material uncertainty related to going concern

We draw attention to Note 2 and 38 in the financial statements, which indicates that since 24 February 2022 the Group's operations are significantly affected by the ongoing military actions in Ukraine and the magnitude of further developments or the timing of cessation of those actions are uncertain. As stated in Note 2 and 38, these events or conditions, along with other matters as set forth in Note 2 and 38, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

Key audit matter

Fair value of financial instrument

Total financial liabilities at fair value through Profit and Loss amount to USD 78,125 thousand in the Group's consolidated financial statements as of 31 December 2021. The net effect of changes in fair values of financial liabilities for the year 2021 amounts to USD 13,178 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 20 to the consolidated financial statements.

How our audit addressed the key audit matter

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.

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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. 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 2021 is included in Note 6 to the consolidated financial statements.	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; ▶ on a sample basis we obtained confirmations of accounts receivable balances from customers; ▶ we tested a sample of revenue 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; ▶ 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.

Property, plant and equipment revaluation

The Group applies the revaluation model for its property, plant and equipment. Due to high level of subjectivity in respect of assumptions underlying the assessment of the fair value of property, plant and equipment this matter was one of the matters of most significance in our audit. The Group has a process of external valuations, when the value of property, plant and	Among other procedures: ▶ we assessed the competence, capabilities and objectivity of the external appraiser; ▶ we engaged our internal valuation specialists in the assessment of the valuation methodology used and the

equipment is being measured by an independent external appraiser.

The Group's disclosure in respect of the accounting policies on property, plant and equipment is included in Note 4 to the consolidated financial statements, and property, plant and equipment disclosure for 2021 is included in Note 8 to the consolidated financial statements.

assumptions made by the appraiser and management;

- we compared input data used by the external appraiser with internal sources of data and available industry data;
- we analyzed the underlying assumptions by inspecting historical data, available market data and other evidence provided by management;
- we evaluated assessment performed by management and the assumptions applied therein, including revenue assumptions, with reference to the actual revenue levels achieved in the current year and future operating plans;
- we compared the amount of revaluation charge recognized in the financial statements with the valuation report;
- we tested journal entries related to recognition of revaluation movements and allocation between Profit&Loss and Other comprehensive income;
- we assessed the adequacy of the related disclosures in the financial statements related to fair value measurement of the property, plant and equipment.

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.

- 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 Andreas Avraamides.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of
Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
25 May 2022

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(in US dollars and in thousands)

INTERPIPE

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	8	523,025	487,756
Intangible assets and goodwill	9	5,097	3,702
Investments in associates	10	865	723
Investment in joint venture	11	2,396	2,614
Deferred tax assets	12	8,318	24,219
Prepaid income tax		162	168
Other non-current assets		6,919	168
		546,782	**519,350**
Current assets			
Inventories	13	214,398	153,861
Trade and other accounts receivable	14	188.967	105.230
Prepayments and other current assets	15	36,867	31,306
Prepaid current income tax		2.368	2,868
Taxes recoverable, other than income tax	16	21,445	18.684
Other current financial assets	17	50,478	-
Cash and cash equivalents	18	109.627	96.631
		624,150	**408,580**
TOTAL ASSETS		**1,170,932**	**927,930**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital, net of unpaid	32	5	5
Share premium		94,277	94,277
Revaluation reserve		382.601	389,390
Retained earnings		1,125,863	1,242,919
Foreign currency translation reserve		(1.180.510)	(1.216.299)
		422,236	510,292
Non-controlling interests		13.182	10.194
Total equity	32	**435,418**	**520,486**
Non-current liabilities			
Subordinated Loan	19	51.627	46.827
Long-term borrowings	20	387,031	117,914
Deferred tax liabilities	12	24,972	29.835
Provisions	21	40.524	40,212
		504,154	**234,788**
Current liabilities			
Current portion of the long-term borrowings and interest accrued and payable	20	35.580	836
Trade and other accounts payable	0	109.034	57.104
Advances and other current liabilities	23	58,481	62,124
Current income tax payable		18.864	13,051
Taxes payable, other than income tax	24	5,624	4,223
Provisions	21	3,777	35,318
		231,360	**172,656**
Total liabilities		**735,514**	**407,444**
TOTAL EQUITY AND LIABILITIES		**1,170,932**	**927,930**

Chief Executive Office — Andrii Korotkov

Sergiy Kuz'menko

25 May 2022

The Notes presented on pages 19 – 71 form an integral part of the Consolidated Financial Statements

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(in US dollars and in thousands)

INTERPIPE

	Notes	2021	2020
Revenue	6	1,132,900	865,131
Cost of sales	25	(824,963)	(597,528)
Gross profit		**307,937**	**267,603**
Selling and distribution expenses	0	(101,036)	(89,855)
General and administrative expenses	27	(46,664)	(36,342)
Other operating income and expenses, net	28	9,173	(6,056)
Operating foreign exchange difference	29	(22,734)	77,450
Operating profit		**146,676**	**212,800**
Finance income	30	1,801	35,859
Finance costs	31	(44,538)	(38,744)
Non-operating foreign exchange difference	29	7,071	18,061
Share of loss of associates and joint venture	10, 11	(103)	(571)
Profit before tax		**110,907**	**227,405**
Income tax expense	12	(19,591)	(32,289)
Profit for the year		**91,316**	**195,116**
Profit attributable to:			
Equity holders of the parent		90,146	194,335
Non-controlling interests		1,170	781
		91,316	**195,116**
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil:			
Net effect on cash flow hedge accounting	37	-	83,689
Exchange differences on translation of foreign operations	37	36,175	(200,319)
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil:		**36,175**	**(116,630)**
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain / (loss) on defined benefit plans	21	4,537	(8,229)
Income tax effect	12	(817)	1,362
		3,720	(6,867)
Revaluation of property, plant and equipment	8	16,795	-
Income tax effect	12	(3,023)	-
		13,772	-
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:		**17,492**	**(6,867)**
Other comprehensive income / (loss) for the year, net of tax:		**53,667**	**(123,497)**
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		141,895	73,056
Non-controlling interests		3,088	(1,437)
		144,983	**71,619**

The Notes presented on pages 19 – 71 form an integral part of the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(in US dollars and in thousands)

	Attributable to equity holders of the parent								
	Issued capital, net of Unpaid	**Share premium**	**Revaluation reserve**	**Retained earnings**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2020	**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, 21, 37)	-	-	-	(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 33)	-	-	-	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**
Profit for the year	-	-	-	90,146	-	-	90,146	1,170	91,316
Other comprehensive income (Note 12, 21, 37)	-	-	12,240	3,720	-	35,789	51,749	1,918	53,667
Total comprehensive income	-	-	**12,240**	**93,866**	-	**35,789**	**141,895**	**3,088**	**144,983**
Depreciation transfer	-	-	(19,029)	19,029	-	-	-	-	-
Dividends declared (Note 32)	-	-	-	(230,000)	-	-	(230,000)	-	(230,000)
Acquisition of non-controlling interest (Note 33)	-	-	-	49	-	-	49	(100)	(51)
At 31 December 2021	**5**	**94,277**	**382,601**	**1,125,863**	-	**(1,180,510)**	**422,236**	**13,182**	**435,418**

Share premium is not available for distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(in US dollars and in thousands)

	Notes	2021	2020
Profit before tax		**110,907**	**227,405**
Adjustments for:			
Depreciation and amortisation	25, 0, 27	57,717	55,122
Impairment of property, plant and equipment and intangible assets		2,428	-
Gain on disposal of property, plant and equipment and intangible assets	28	(1,256)	(1,820)
Non-cash movements in cost of sales	28	141	724
Reclassification of foreign exchange cash flow hedge to cost of sales	25	-	83,689
Finance costs	31	44,538	38,744
Finance income	30	(1,801)	(35,859)
Movement in provisions, less interest cost		(33,629)	(56,650)
Share of loss of associates	10	(115)	324
Share of loss of joint venture	11	218	247
Foreign exchange difference		14,988	(95,944)
Operating cash flows before working capital changes		**194,136**	**215,982**
(Increase) / decrease in inventories		(52,920)	29,275
(Increase) / decrease in trade and other accounts receivable		(87,298)	8,270
Increase in prepayments and other assets		(12,465)	(988)
Increase in taxes recoverable, other than income tax		(2,307)	(3,339)
Increase in trade and other accounts payable		44,662	16,276
Increase in taxes payable, other than income tax		1,275	629
Decrease in advances and other current liabilities		(3,391)	(73,087)
Cash generated from operations		**81,692**	**193,018**
Income tax paid		(10,595)	(12,415)
Interest and other finance costs paid		(17,844)	(20,670)
Proceeds from income tax refund		3,532	-
Net cash inflow from operating activities		**56,785**	**159,933**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		(62,676)	(44,030)
Proceeds from sale of property, plant and equipment		2,847	2,974
Purchase of other financial assets		(50,000)	-
Interest received		1,324	1,821
Net cash outflow from investing activities		**(108,505)**	**(39,235)**
Cash flows from financing activities			
Proceeds from borrowings		300,000	44,905
Repayments of borrowings		(6,529)	(325,220)
Dividends paid		(230,000)	-
Acquisition of non-controlling interest		(51)	(341)
Net cash inflow / (outflow) from financing activities		**63,420**	**(280,656)**
Net increase / (decrease) in cash and cash equivalents		11,700	(159,958)
Net foreign exchange difference		1,296	441
Cash and cash equivalents at period beginning		**96,631**	**256,148**
Cash and cash equivalents at period end	18	**109,627**	**96,631**

For the non-cash activities in relation to equity transactions, please refer to note 32 to the consolidated financial statements.

1. Corporate information

The Consolidated Financial Statements of Interpipe Holdings PLC (the "Company") and its subsidiaries (collectively, the "Interpipe" or the "Group") as at 31 December 2021 and for the year then ended were authorized for issue in accordance with the Company's Board Resolution on 25 May 2022.

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 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 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 (Note 32).

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 principal business activities of the Group are described in more detail in Note 6. Average number of employees for the year 2021 and 2020 equaled to 9.6 thousand and 9.1 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.

Operations in Ukraine

The Group conducts its operations in Ukraine. Before 24 February 2022, the Ukrainian economy while deemed to be of market status continued to display characteristics consistent with that of an economy in transition. These characteristics included, but were not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation 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. In this regard, cooperation with international financial institutions remained essential for managing macroeconomic risks. In 2021 fiscal policy remained conservative, the state budget deficit was moderate, and public debt continued to decrease as a share of GDP. International reserves exceeded 90% of the IMF's composite measure and were sufficient to smooth out potential fluctuations on the foreign exchange market. The National Bank of Ukraine ("NBU") expected real GDP to increase by 3.1% year-on-year in 2021, compared with a fall of 4.4% in 2020. In 2021, the NBU continued its inflation targeting policy resulting in the annualised inflation rate in Ukraine of 7.9% in 2021 as compared to 5.0% in 2020 and changed its refinancing rate to 10.0% in February 2022 from 6.0% at the end of 2020. The NBU continued floating exchange rate policy and 2021 was finished at UAH 27.27 per USD, compared to UAH 28.27 per USD as at 31 December 2020.

On 24 February 2022, the Russian Federation started a military invasion of Ukraine. As at today's date, active conflict is underway in and around several major Ukrainian cities, including Kharkiv, Kherson, Mykolaiv, Mariupol and other cities and towns across the south and east of the country. Casualty numbers, both civilian and military, have been increasing, and Ukraine continues to suffer extensive damage to its physical infrastructure. The logistics routes in occupied territories were damaged and there is no access to them. Other railway and car logistic route are available for limited usage as Ukraine has extensive road and railway network. All ports in Black and Azov Sea aquatorium stopped to work due to armed conflict in the territory of Ukraine, including seas' areas, and export made via sea ports were fully frozen.

The Ukrainian government received financing and donations from international organisations and different countries to support financial stability and financing social related payments and military needs (International Monetary Fund, European Union, and directly from numerous countries).

The central bank has postponed its key policy rate decision, and the key policy rate will therefore stay unchanged at 10% since the forced administrative restrictions are in place and till the events in Ukraine will come back to normal.

The National Bank of Ukraine ('NBU') has imposed restrictions regarding withdrawals of hryvnia by customers and switched from a flexible to a fixed exchange rate regime at UAH 29.25 for 1 USD on the FX market to ensure the sound and stable operation of the country's financial system. As a result, commercial interbank quotes remain close to the officially imposed by NBU, and bid rate fixed as UAH 29.25 for USD 1, while the selling rate got up to UAH 30.20 for USD 1 at a maximum point. Moreover, the NBU has determined that the ban on transactions in Ukraine using the accounts of residents of Russia or Belarus and legal entities whose ultimate beneficial owners are based in Russia or Belarus does not apply to social benefits, wages, utilities, taxes, fees, and other required payments. Despite the current unstable situation, the banking system remains stable, with sufficient liquidity even as martial law continues, all banking services are available to its customers, both legal entities and individuals.

The Group's utmost priority is the safety and security of the employees, and the second priority is the preservation of the assets and business continuity. The business processes have been minimized to adjust to the existing challenges and to provide continuity to the Group's activities. As of the date of the Consolidated Financial Statements authorization for issue, the key production assets of the Group have not been directly affected by military actions and remain undamaged. All of the Group's inventories are in good condition and are in safe storage. The production has been almost suspended aiming to: (a) to reduce security risks for employees and enable them to stay in or relocate to safer areas and regions; (b) to minimize risks of destruction of assets and equipment during the war time; (c) given significantly hampered procurement and logistic capabilities across Ukraine as well as unavailable export capacities through Odesa sea port, which has been the main export hub for the Group. Given that currently the Group is not able to export goods from Ukraine of the same volumes, the Group invoked force majeure clauses under the supply contracts, minimizing the risk of claims for non-performance under its sales contracts.

In March 2022, the manufacturing process has been stopped on all production entities of the Group ("MP "Dneprosteel" LLC (Dnipro city), JSC "Interpipe Novomoskovsk Pipe-Production Plant" (Dnipro region), JSC "Interpipe Dneprovtormet" (Dnipro region), except for PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant" (Dnipro city), "Interpipe Niko Tube" LLC (Nikopol city) and Society "Dishware Novomoskovsk" Ltd (Dnipro city), which produced a limited volume of the finished goods. As resuming of the export through the sea ports, operations of which are temporarily suspended, remains risky due to the military activity in the southern part of Ukraine, and, consequently, results into switch to automobile and railway transported deliveries to the customers from Ukraine and abroad.

The Group's trading entities located outside of Ukraine operate on a normal basis facilitating and coordinating relations with clients all over the world. A sizable level of the finished goods stock in the USA in the amount of USD 46.8 million allows for sustainable cash inflows in 2022 from realization of those goods on the US market.

The Group fully compliant with all sanction's rules and regulations against Russia and Belarus, including those imposed or published by various countries and organizations. Besides, the Group refrains from dealing with persons or organizations listed in the list of sanction. In this situation the Group does not expect any influence on the supplying chain and payments flow.

Management of the Group has reorganized the business process based on the following key assumptions:

- no further significant progression of Russian troops into the territory of Ukraine and no further escalation of military actions that could severely affect the Group's assets;
- Ukrainian logistics systems, both automobile and railroad, will allow internal and export shipments to be carried in a limited volumes at least;
- the Group's operations will be focused on the losses minimization, cash outflows reduction combined with the support of the key personnel together with core equipment functionality maintenance and preservation.

The Group will seek to utilize all available logistic channels in a most efficient way for the purpose of the products shipments facilitation and respective improvement of the financial position.

The full extent of the adverse impact on the Group's business generally is not yet known and will be largely dependent on the duration and extent of the military actions as well as the impact on the Group's key production assets.

International trade regimes

The Group's 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.

In the USA market an administrative review of the antidumping duty order on import of OCTG pipes to the USA was initiated in July 2020. In February 2022 the dumping margin of 27.8% was determined instead of previously effective 7.47% on import of OCTG pipes produced by Interpipe. The Group's seamless standard, line and pressure pipes were also subject to an antidumping duty investigation initiated in July 2020 with a final dumping margin of 23.75% imposed in August 2021. In addition to the antidumping duty, in 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 the European market Interpipe's seamless pipe products were subject to 8.1% antidumping duty both in 2021 and 2020. Since 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.

Russian government maintains various trading barriers, which effectively resulted in a trading embargo for many key Ukrainian export products including products of the Group.

COVID-19 developments

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 and 2021 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. Multiple vaccines have been successfully developed and countries all over the world implemented vaccination.

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 the 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 the Consolidated Financial Statements.

Eurobonds redemption and placement

On 26 January 2021, the Company redeemed in full the 10.25% guaranteed notes due 2024 repaying the outstanding principal of USD 6,472 thousand including the interest accrued to the date. The pledges and the restrictions were released, accordingly. In May 2021 Interpipe successfully completed placement of its new USD 300 million Eurobond due 2026 (the "Notes 2026"). The Notes 2026 were admitted to listing on the Luxemburg Stock Exchange Security Official List on 13 May 2021. The Notes 2026 were issued with a yield of 8.375%, receiving orders from around 50 investors, including an international financial institution. The investor base in the new issuance was dominated by asset managers, who accounted for 53% of the Notes' market allocations. Investors from the United States, the United Kingdom and continental Europe accounted for the majority of market distribution of the Notes 2026 with 43%, 26% and 26% shares in allocations, respectively. Investors from Asia and MENA accounted for 5% of the market allocations. In June 2021, the Notes 2026 joined the JP Morgan series of Corporate Emerging Markets Bond Indexes: CEMBI Broad and CEMBI Broad Diversified, which are global benchmarks tracking US-dollar denominated debt issued by emerging market corporates.

According to Notes 2026 placements, the Group has several covenants (Note 20), such as issuance of the Consolidated Financial Statements during 120 days from the reporting date and compliance with Leverage ratio (Consolidated debt less cash and cash equivalents / Consolidated EBITDA). In case of non-compliance with Leverage ratio, the Group is restricted to any new borrowings, certain payments (such as dividends) and the management will apply all necessary and available remediation actions.

Going concern basis

The net equity of the Group reinstated to USD 435,418 thousand and USD 520,486 thousand and current assets exceeded current liabilities by USD 392,790 thousand and USD 235,924 thousand as at 31 December 2021 and 2020, respectively.

Although the Group's financial performance was strong in 2021 calendar year, military actions occurring after the balance sheet date create material uncertainty for the Group in the future, including the risk of damage of assets and loss of inventory either physical loss as a result of military actions, or appropriation for military needs under the Martial Law in Ukraine, and ability of Black Sea ports to resume its operations and availability of alternative export routes. The full extent of the impact of further development of military actions on the Group's business is unknown, but its magnitude might be severe.

Management acknowledges that future development of military actions and their duration represent a single source of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Despite the single material uncertainty relating to the war in Ukraine, management is continuing taking actions to minimise the impact on the Group and thus believes that application of the going concern assumption for the preparation of these Consolidated Financial Statements is appropriate and that the Group will be able to manage various risks 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 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 financial instruments measured in accordance with the requirements of IAS 32 "Financial instruments: Presentation".

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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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 amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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 2021 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.

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 2021.

The increase in the fair value of the Group's property, plant and equipment as at 31 December 2021 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.

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.

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 eight 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.

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 2021 and 2020, 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes liquidity, bonds and equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

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 37).

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 (endorsed by EU)	1 January 2022
IFRS 3 Business Combinations (endorsed by EU)	
- Reference to the Conceptual Framework	1 January 2022
IFRS 9 Financial Instruments	
- Annual Improvements to IFRSs 2018-2020 Cycle: Fees in the '10 per cent' test for derecognition of financial liabilities (endorsed by EU)	1 January 2022
IFRS 17 Insurance Contracts including Amendments to IFRS 17	
- Amendments to IFRS 17 (endorsed by EU)	1 January 2023
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (not endorsed by EU)	
IAS 1 Presentation of Financial Statements	
- Classification of Liabilities as Current or Non-current (not endorsed by EU)	1 January 2023
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (endorsed by EU)	
IAS 8 Definition of Accounting Estimates – Amendments to IAS 8	
- A definition of 'accounting estimates' (endorsed by EU)	1 January 2023
IAS 12 Income taxes - Amendments to IAS 12	
- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 16 Property, Plant and Equipment	
- Proceeds before Intended Use	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (endorsed by EU)	
- Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IAS 41 Agriculture	
- Annual Improvements to IFRSs 2018-2020 Cycle: Taxation in Fair Value Measurements (endorsed by EU)	1 January 2022

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 21.

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 (Note 8).

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 (Note 7).

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 35.

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.

Allowance 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 21 and 35).

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 37).

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. 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 (Note 37).

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 2021	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	788,565	281,605	505,076	15,667	1,590,913
Elimination of sales to other segments	-	-	(458,013)	-	(458,013)
Revenue - external	**788,565**	**281,605**	**47,063**	**15,667**	**1,132,900**
Operating (loss) / profit	**(47,132)**	**11,817**	**179,529**	**2,462**	**146,676**
Finance income					1,801
Finance costs					(44,538)
Non-operating foreign exchange difference					7,071
Share of loss of associates and joint venture					(103)
Income tax expense					(19,591)
Profit for the year					**91,316**

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**

For the year ended 31 December 2021 and 2010, share of loss of associates was attributable to pipes segment.

Segment assets, liabilities and other information

Year ended 31 December 2021	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	513,935	165,525	265,991	7,981	953,432
Segment liabilities	96,486	66,737	47,981	348	211,552
Investment in associates and joint venture (Note 10 and 11)	3,261	-	-	-	3,261
Additions to property, plant and equipment (Note 8)	36,631	16,699	10,685	-	64,015
Movement in provisions	(27,313)	134	(2,520)	-	(29,699)
Other non-cash items	1,393	(966)	1,931	-	2,358
Impairment of property, plant and equipment	(9)	(1,791)	4,228	-	2,428

(in US dollars and in thousands)

Segment assets, liabilities and other information (continued)

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)

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

	31 December 2021	*31 December 2020*
Segment assets for reportable segments	**948,712**	**760,166**
Other operations	**7,981**	**1,962**
Unallocated		
Intangible assets	5,097	3,702
Deferred tax assets	8,318	24,219
Prepaid income tax (non-current)	162	168
Prepaid current income tax	2,368	2,868
Taxes recoverable, other than income tax	21,445	18,684
Prepayments and other current assets	16,744	17,972
Trade and other accounts receivable	-	1,558
Other financial assets	50,478	-
Cash and cash equivalents	109,627	96,631
	214,239	**165,802**
Total assets	**1,170,932**	**927,930**

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

	31 December 2021	*31 December 2020*
Segment liabilities for reportable segments	**211,204**	**192,102**
Other operations	**348**	**2,392**
Unallocated		
Deferred tax liabilities	24,972	29,835
Taxes payable, other than income tax	5,624	4,223
Current income tax liabilities	18,864	13,051
Borrowings	419,100	118,541
Subordinated Loan	51,627	46,827
Interest payable	3,511	209
Dividends payable to non-controlling interest owners	216	209
Other liabilities	48	55
	523,962	**212,950**
Total liabilities	**735,513**	**407,444**

(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 2021	*Pipes*	*Railway wheels*	*Steel Making*	*Other operations*	*Total*
Operating (loss) / profit	(47,132)	11,817	179,529	2,462	146,676
Depreciation and amortisation	21,128	12,007	24,337	245	57,717
Revaluation increase and impairment of property, plant and equipment	(9)	(1,791)	4,228	-	2,428
Loss on disposal of property, plant and equipment (Note 28)	(1,063)	(1)	(51)	-	(1,115)
Operating foreign exchange difference	15,388	2,960	4,386	-	22,734
EBITDA	**(11,688)**	**24,992**	**212,429**	**2,707**	**228,440**
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	139,411	60,643	(200,054)	-	-
EBITDA (on a pass-through basis)	**127,723**	**85,635**	**12,375**	**2,707**	**228,440**

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 28)	(1,474)	299	79	-	(1,096)
Foreign exchange cash flow hedge (Note 37)	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**

(in US dollars and in thousands)

Geographical information

Revenues from external customers

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Ukraine	300,201	226,039
Europe	287,030	238,787
Americas	223,433	65,874
Middle East and Africa	158,524	124,749
Other CIS countries	117,549	108,550
Russia	16,904	89,222
Other countries	29,259	11,910
	1,132,900	**865,131**

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 8% of total revenue, amounted to USD 83,408 thousand (2020: 1 major customer, individually exceeding 5% of total revenue, USD 52,610 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 2021	*31 December 2020*
Ukraine	527,012	489,859
Europe	102	121
Other countries	1,008	1,478
	528,122	**491,458**

(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 2021:

		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	344,486	344,486	-	344,486	-
- financial liability at fair value	78,125	78,125	-	-	78,125
	422,611	**422,611**	-	344,486	**78,125**

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	52,141	52,141	-	52,141	-
- financial liability at fair value	64,948	64,948	-	-	64,948
	117,089	**117,089**	**-**	**52,141**	**64,948**

There have been no transfers between Level 1 and Level 2 during 2021 and 2020.

(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 2021 and 2020 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 2020	**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**
Additions	-	-	-	-	64,015	-	64,015
Transfers	5,717	24,444	345	971	(31,539)	62	-
Disposals and write-offs	(2,486)	(4,233)	(555)	(95)	(77)	-	(7,446)
Elimination against gross carrying amount	(38,058)	(119,090)	(5,561)	(3,099)	-	(1,592)	(167,400)
Revaluation	(18,156)	27,403	2,753	350	2,017	-	14,367
Translation difference	7,946	11,551	647	175	1,020	-	21,339
At 31 December 2021	**172,279**	**268,874**	**15,229**	**3,137**	**62,393**	**1,113**	**523,025**
Accumulated depreciation and impairment:							
At 1 January 2020	**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**
Depreciation for the year	13,251	42,908	1,875	1,081	-	515	59,630
Disposals and write-offs	(1,462)	(4,178)	(287)	(93)	-	-	(6,020)
Elimination against gross carrying amount	(38,058)	(119,090)	(5,561)	(3,099)	-	(1,592)	(167,400)
Translation difference	937	2,250	144	65	-	-	3,396
At 31 December 2021	-	-	-	-	-	-	-
Net book value:							
At 31 December 2020	**191,984**	**250,689**	**13,771**	**2,789**	**26,957**	**1,566**	**487,756**
At 31 December 2021	**172,279**	**268,874**	**15,229**	**3,137**	**62,393**	**1,113**	**523,025**

As at 31 December 2021 and 2020, property, plant and equipment with carrying amount of USD 78,960 thousand and USD 368,157 thousand, respectively, were pledged as a security for the Group's borrowings (Note 20).

(in US dollars and in thousands)

Revaluation increase / Decrease / Reversal of decrease

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction-in-progress and uninstalled equipment*	*Total*
Loss on revaluation recognised in profit or loss	(4,636)	(10,653)	(90)	(238)	(1,685)	(17,302)
Reversal of loss on previous revaluation recognised in profit or loss	305	11,100	39	22	3,408	14,874
Loss on revaluations recognised in other comprehensive income	(43,257)	(24,053)	(1,333)	(41)	(3)	(68,687)
Gain on revaluations recognised in other comprehensive income	29,432	51,010	4,137	607	296	85,482
Total	**(18,156)**	**27,404**	**2,753**	**350**	**2,016**	**14,367**

The revalued property, plant and equipment are presented by buildings and structures; machinery and equipment; transport and motor vehicles; fixtures and office equipment; construction-in-progress and uninstalled equipment.

The Group engaged an independent appraiser to determine the fair value for all groups of property plant and equipment as at 31 December 2021. Valuation analysis and estimates of value, performed by the independent appraiser, were based on historical, current and prospective information, adjusted for any difference in nature, location or condition of the specific property compared to similar assets and benchmarks used.

Depending on the item of the property plant and equipment, fair value was determined using the combination of the following three methods:

- comparative method;
- cost method;
- discounted cash flows method.

The most significant observable and unobservable valuation inputs are listed below and their changes would result in a significant increase or decrease in fair value of the revalued assets:

- price per square metre – 189-644 USD: significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis;
- discount rate – 14.4%: significant increases (decreases) in discount rate in isolation would result in a significantly higher (lower) fair value on a linear basis;
- terminal growth rate – 2.4%: significant increases (decreases) in terminal growth rate in isolation would result in a significantly higher (lower) fair value on a linear basis;
- inflation rate – 2.3-2.4%: significant increases (decreases) in inflation rate in isolation would result in a significantly higher (lower) fair value on a linear basis.

As at 31 December 2021 and 2020, the cost of fully depreciated items of property, plant and equipment, which remain in use, amounted to USD 5,227 thousand and USD 2,803 thousand respectively.

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 2020	70,872	160,069	5,352	2,738	29,055	268,086
31 December 2021	73,907	163,020	5,060	2,753	62,554	307,294

(in US dollars and in thousands)

9. Intangible assets

Movement in intangible assets and related accumulated amortisation for the years ended 31 December 2021 and 2020 was as follows:

	Patents and trademark	*Accounting software*	*Other software*	*Intangible assets under development*	*Total*
Cost:					
At 1 January 2020	**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**
Additions	-	-	-	1,483	1,483
Transfers	(536)	1,282	1,214	(1,960)	-
Disposals	-	(1)	(149)	(50)	(200)
Translation difference	25	115	92	42	274
At 31 December 2021	**63**	**4,649**	**3,677**	**1,221**	**9,610**
Accumulated amortisation and impairment:					
At 1 January 2020	**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**
Amortisation for the year	18	364	485	-	867
Disposals	(67)	-	(141)	(652)	(860)
Translation difference	5	51	71	28	155
At 31 December 2021	**29**	**1,921**	**2,417**	**146**	**4,513**
Net book value:					
At 31 December 2020	**501**	**1,747**	**518**	**936**	**3,702**
At 31 December 2021	**34**	**2,728**	**1,260**	**1,075**	**5,097**

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 2021*	*31 December 2020*
PJSC "Nikopolsky Tooling Plant"	Tooling for machines	25%	436	279
PJSC "Nikopolsky Repairing Plant"	Repairs	25%	429	444
PJSC "Teplogeneratzia"	Utility services	30%	-	-
			865	**723**

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 2021	*For the year ended 31 December 2020*
At period beginning	723	1,222
Share of profit / (loss)	115	(324)
Translation difference	27	(175)
At period end	**865**	**723**

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 2021			
Assets	-	1,283	2,680
Liabilities	-	(847)	(2,251)
Net assets – carrying amounts of investments	**-**	**436**	**429**

	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**

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

	For the year ended 31 December 2021		*For the year ended 31 December 2020*	
	Revenue	*Profit / (Loss) for the year*	*Revenue*	*Loss for the year*
PJSC "Teplogeneratzia"	7,707	-	8,025	(10)
PJSC "Nikopolsky Repairing Plant"	9,613	(12)	7,831	(112)
PJSC "Nikopolsky Tooling Plant"	7,613	127	7,126	(202)

(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, whereas at 31 December 2021 and 2020 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 finished certain types of non-OCTG seamless tubes, which were then sold under the Vallourec brand.

Consistent introduction of the safeguard quotas and antidumping duties on Ukrainian steel products by the European Commission significantly affected the grounds of beneficial joint venture cooperation. The above-mentioned factors had not made it possible to provide full load for joint venture capacities. Since October 2021, line pipes in the European market have been sold under the Interpipe brand, as it was before the joint venture was established. Therefore, the Group and Vallourec agreed to terminate joint venture subject to the conditions precedent (Note 38).

The interest in joint venture is accounted for using equity method in the Consolidated Financial Statements and its carrying amount so determined was USD 2,396 thousand and USD 2,614 thousand as at 31 December 2021 and 2020, respectively.

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

	31 December 2021	*31 December 2020*
Assets	2,396	2,614
Liabilities	-	-
Net assets – carrying amounts of investments	**2,396**	**2,614**

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

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Revenue from contracts with customers	-	-
Loss for the year (continuing operations)	(437)	(506)
Other comprehensive income (continuing operations)	-	-
Total comprehensive loss (continuing operations)	(437)	(506)
Group's share of loss for the year	**(218)**	**(247)**

The joint venture had no contingent liabilities or commitments as at 31 December 2021 and 2020.

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 2021 and 2020 were as follows:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Current income tax expense	(13,108)	(12,585)
Deferred income tax expense	(6,483)	(19,704)
	(19,591)	**(32,289)**

Income tax (expense) / benefit for the years ended 31 December 2021 and 2020 originated in the following tax jurisdictions:

	Domestic tax rates applicable to individual group entities as at			
	31 December 2021	*31 December 2020*	*For the year ended 31 December 2021*	*For the year ended 31 December 2020*
Ukraine	18%	18%	(13,224)	(26,525)
Russia	20%	20%	(596)	(565)
Switzerland	11%	11%	(1,260)	45
Germany	34%	34%	5	8
The USA	21%	21%	(2,956)	2,052
Cyprus	12.5%	12.5%	(1,560)	(7,304)
Kazakhstan	20%	20%	-	-
The UAE*	-	-	-	-
			(19,591)	**(32,289)**

(in US dollars and in thousands)

* Tax (expense) / benefit calculated at domestic rates applicable to individual Group entities for 2021 and 2020 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.

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

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Accounting profit before tax	**110,907**	**227,405**
Tax expenses calculated at domestic rates applicable to individual Group entities	(22,360)	(24,948)
Tax effect of non-deductible expenses	(4,204)	(11,792)
Tax effect of non-taxable incomes	-	3,108
Change in unrecognised deferred tax assets	6,123	4,021
Recognition of the tax asset relating to the change in an estimate of deductibility of certain temporary difference	264	(2,300)
Translation difference	(26)	24
Other differences	612	(402)
	(19,591)	**(32,289)**

Deferred tax assets and liabilities related to the following:

	31 December 2021	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2020*
Deferred tax liabilities:					
Investments valuation	(23)	(30)	-	-	7
Accelerated depreciation for tax purposes and revaluation of property, plant and equipment for financial reporting purposes	(34,983)	1,715	(3,023)	(88)	(33,587)
	(35,006)	**1,685**	**(3,023)**	**(88)**	**(33,580)**
Deferred tax assets:					
Accrued liabilities and provisions	2,046	(3,927)	(817)	(558)	7,348
Allowance for expected credit loss	2,047	(328)	-	186	2,189
Inventories valuation	708	(1,783)	-	577	1,914
Loans and interest payable	196	(1)	-	7	190
Other deferred tax assets	1,027	(530)	-	1,018	539
Tax losses carried forward	39,742	(7,724)	-	(1,560)	49,026
	45,766	**(14,293)**	**(817)**	**(330)**	**61,206**
Unrecognized deferred tax asset	(27,414)	6,123	-	(295)	(33,242)
Deferred income tax expense from origination and reversal of temporary differences		(6,483)	(3,840)		
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	**8,318**				**24,219**
Deferred tax liabilities	**(24,972)**				**(29,835)**

(in US dollars and in thousands)

	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)**

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

Country of origination	*For the year ended 31 December 2021*	*For the year ended 31 December 2020*
Ukraine	13,626	15,279
Cyprus	22,597	28,942
The USA	3,270	4,272
Switzerland	28	306
Kazakhstan	221	227
Russia	-	-
	39,742	**49,026**

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 2021 and 2020, the Company has not recognised deferred tax liability in respect of temporary differences amounting to USD 38,528 thousand and USD 37,715 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 2021	*31 December 2020*
Raw materials	82,882	49,233
Work in process	30,914	18,044
Finished goods	100,602	86,584
	214,398	**153,861**

As at 31 December 2021 and 2020, 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 5,990 thousand and USD 4,891 thousand, respectively.

As at 31 December 2021 and 2020, finished goods were pledged as a security for the Group's borrowings (Note 20):

	31 December 2021	*31 December 2020*
Finished goods	-	26,375
	-	**26,375**

The Group has settled the Notes 2024 (Note 20), 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 2021	*31 December 2020*
Trade accounts receivable	195,736	109,503
Less allowance for expected credit losses	(10,363)	(8,415)
	185,373	101,088
Other receivables	10,715	11,124
Less of allowance for expected credit losses	(7,121)	(6,982)
	3,594	4,142
	188,967	**105,230**

As at 31 December 2021, trade receivables with carrying amount of USD 0 thousand (2020: USD 29,167 thousand), were pledged as a security for the Group's borrowings (Note 20).

Movement in expected credit losses is disclosed in Note 36. As at 31 December 2021 and 2020, the allowance for impairment of trade accounts receivable included USD 299 thousand and USD 310 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 2021 and 2020, 57% and 73% 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 2021	*31 December 2020*
Prepayments to suppliers	18,663	12,199
	18,663	**12,199**

Other current assets consisted of the following:

	31 December 2021	*31 December 2020*
Guarantee deposits	8,451	7,609
Restricted bank deposit	8,293	10,363
Prepaid insurance expense	638	183
Other current assets	822	952
	18,204	**19,107**

As at 31 December 2021 and 2020, the guarantee deposits represented collateral for US customs bond and 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 2021	*31 December 2020*
Value-added tax recoverable	21,288	18,371
Other taxes recoverable	157	313
	21,445	**18,684**

VAT recoverable primarily originated in Ukraine (Note 5).

17. Other current financial assets

Other current financial assets consisted of USD 50,000 thousand placed by the Group in a single investment portfolio under the management of UBS Switzerland AG (USD 17,000 thousand in August and September, USD 16,000 thousand in October 2021).

The investment portfolio measured at fair value through profit and loss by reference to published price quotations in an active market and consisted of the following:

	31 December 2021	*31 December 2020*
Liquidity	3,306	-
Bonds	19,841	-
Equities	27,331	-
	50,478	**-**

The positive change in fair value of the investment portfolio was recognized in finance income (Note 30) in the amount of USD 478 thousand.

(in US dollars and in thousands)

18. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	31 December 2021	*31 December 2020*
Current accounts and deposits on demand at banks	93,972	94,612
Time deposits at banks with maturity less than three months	15,638	2,006
Cash in hand	17	13
	109,627	**96,631**

As at 31 December 2021 and 2020, cash and cash equivalents with carrying amount of USD 6,899 thousand and USD 7,609 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 2021 and 2020, cash and cash equivalents with carrying amount of USD 0 thousand and USD 14,846 thousand, respectively, were placed on the bank accounts subject to the security for the Group's borrowings (Note 20).

19. 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 20) priority and full settlement. The principal amount bore an interest at a rate of 10.5% per annum compounding annually.

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 Notes 2024 and the New Facility Agreement (amount of USD 45,808 thousand was repaid in full in 2019). 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.

20. Borrowings and interest payable

As at 31 December 2021 and 2020 interest bearing borrowings comprised:

	31 December 2021	*31 December 2020*
Notes 2026	297,936	-
Performance Sharing Fee (fair value)	78,125	64,948
General Loan Facility (principal)	41,886	45,460
Notes 2024	-	6,472
	417,947	**116,880**
Interest payable (current)	3,511	209
Lease liability	1,153	1,661
Current portion of long-term borrowings	**35,580**	**836**
Long-term borrowings	**387,031**	**117,914**

The Notes 2026 were 8.375% senior secured notes due in 2026 and included in the Securities Official List of the Luxembourg Stock Exchange.

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 Notes 2024 were 10.25% senior secured notes due in 2024 and included in the Securities Official List of the Luxembourg Stock Exchange. In 2021 the Group redeemed its obligations under the Notes 2024 in full and achieved the Final Repayment Date (the date of full repayment of obligations due under the New Facility Agreement (repaid in 2019), the Notes 2024 and the Exit Fee).

The Exit Fee is an obligation, contingent upon the Group inability to reach the Final Repayment Date before 25 October 2023. Since the Group redeemed in full its obligations under the Notes 2024 in 2021 the carrying amount of the Exit Fee was determined close to nil as at 31 December 2020.

(in US dollars and in thousands)

The Performance Sharing Fee 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 37.

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 in 2021. 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).

As at 31 December 2021, the carrying amount of the Performance Sharing Fee was determined at its fair value based on the best management estimates available to-date: the estimated performance of the Group in the Performance Assessment Period of the 2 half year 2021 – 1 half year 2024 as the notional annualized amounts in the range of USD 211-218 million of the Group EBITDA multiplied by the Applicable Percentage of 15% and using EIR of 14.43% p.a. with a shift in payment for one year plus 115 days after each of the 12 month periods then ending.

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

	2021	*2020*
Performance Fee re-measurement (Note 32)	(13,178)	(5,329)
Exit Fee de-recognition (Note 31)	-	27,066
Exit Fee re-measurement (Note 32)	-	(2,523)
	(13,178)	**19,214**

As at 31 December 2021 and 2020, no assessment is made for the Proceeds Sharing Fee element 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 2021 and 2020, the long-term lease liability comprised USD 603 thousand and 1,095 thousand, respectively; short-term lease obligations comprised USD 550 thousand and USD 566 thousand, accordingly.

Security package and pledges of assets

As at 31 December 2021 and 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 87,035 thousand and 37,144 thousand, respectively, and sureties granted by other Ukrainian subsidiaries of the Group.

On 26 January 2021 the Group redeemed in full the Notes 2024, 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 2021	*31 December 2020*
Carrying amount of property, plant and equipment (Note 8)	78,960	368,157
Inventories (Note 13)	-	26,375
Trade receivables (Note 14)	-	29,167
Cash and cash equivalents placed on pledged bank accounts (Note 18)	-	14,846

(in US dollars and in thousands)

As at 31 December 2020, 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 Notes 2024 before the Final Repayment Date occurrence on 26 of January 2021:

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

As at 31 December 2021, there was no pledge of the Group subsidiaries' shares and participatory interest.

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

As at 31 December 2020, the Group was subject to certain Notes 2024 and General Loan Facility restrictive covenants related primarily to borrowings and dividends distribution. After the repayment of the Notes 2024 in January 2021, these covenants specifically related to the pay-out to the shareholders ceased to apply.

As at 31 December 2021, the Group was subject to certain covenants:

- under Notes 2026 (Note 2) related primarily to the limitation of the dividends distribution and new borrowings;
- under General Loan Facility (Net Debt / EBITDA > 3.0, Debt Service Coverage Ratio > 1.25, etc.) related to new borrowings.

In case of breach of any of the covenants, the management will apply all necessary and available remediation actions.

The Group was in compliance with the covenants as at 31 December 2021 and 2020.

21. Provisions

Provisions and employee benefits included the following:

	31 December 2021	*31 December 2020*
Provision for customers' and other claims	424	32,230
Defined benefit state pension plan	41,537	41,197
Retirement benefit plan	2,340	2,103
	44,301	**75,530**
Provision – current portion	(3,777)	(35,318)
Provision – non-current portion	**40,524**	**40,212**

As at 31 December 2020, amount of the provisions includes USD 28,760 thousand 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.

(in US dollars and in thousands)

Changes in the provisions:

	Provision for customers' and other claims	*Defined benefit state pension plan*	*Retirement benefit plan*	*Total provisions*
At 1 January 2020	**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**
Charge for the year	(384)	1,674	323	1,613
Payments and utilisation	(205)	(2,839)	(163)	(3,207)
Reversal	(31,312)	-	-	(31,312)
Translation difference	95	1,505	77	1,677
At 31 December 2021	**424**	**41,537**	**2,340**	**44,301**

For the years ended 31 December 2021 and 2020, interest costs attributable to the defined employee benefits and amounting to USD 4,938 thousand and USD 4,670 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 35) filed against the Group in the courts. Reversal for the year ended 31 December 2021 amounted to USD 31,696 thousand (charge, net of reversal, of USD 32,697 thousand for the year ended 31 December 2020) 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 25). Interest cost is included in finance costs (Note 31).

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

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Interest cost (Note 31)	4,698	4,369
Current service cost	1,284	1,082
	5,982	**5,451**

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

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Present value at the beginning of the year	41,197	36,757
Current service cost	1,284	1,082
Interest cost (Note 31)	4,698	4,369
Payment	(2,839)	(2,714)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	(6,807)	7,480
- experience adjustments	2,417	694
Translation difference	1,587	(6,471)
Present value at the end of the year	**41,537**	**41,197**

The average duration of the defined benefit state pension plan at the end of the reporting period is 15.8 years (2020: 15.9 years).

(in US dollars and in thousands)

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 31).

Benefit expense recognised in the consolidated statement of comprehensive income

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Interest cost (Note 31)	240	301
Current service cost	89	69
Past service cost	141	-
	470	**370**

Changes in the present value of retirement benefit plan

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Present value at the beginning of the year	2,103	2,529
Current service cost	89	69
Past service cost	141	-
Interest cost (Note 31)	240	301
Payment	(163)	(441)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	(237)	443
- experience adjustments	90	(388)
Translation difference	77	(410)
Present value at the end of the year	**2,340**	**2,103**

The average duration of the retirement benefit plan at the end of the reporting period is 17.5 years (2020: 18.1 years).

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 2021	*31 December 2020*
Annual discount rate	13.3%	11%
Annual salary increase rate	13% in 2022, 5.5% afterwards	10.9% in 2021, 5.2% afterwards
Staff turnover	8%	8%
Mortality	0.97	0.97

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption as at 31 December 2021 is as shown below:

Assumptions	*Discount rate*		*Future salary increases*		*Staff turnover*		*Annual mortality*	
Sensitivity Level	*1% increase*	*1% decrease*	*1% increase*	*1% decrease*	*25% increase*	*25% decrease*	*10% increase*	*10% decrease*
Impact on the net defined benefit obligation	(2,924)	3,304	221	(204)	(632)	781	(469)	476

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.

(in US dollars and in thousands)

22. Trade and other accounts payable

Trade and other accounts payable consisted of the following:

	31 December 2021	*31 December 2020*
Trade accounts payable to suppliers	104,093	51,854
Dividends payable to non-controlling interest owners	216	209
Other accounts payable	4,725	5,041
	109,034	**57,104**

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

23. Advances and other current liabilities

Advances and other current liabilities consisted of the following:

	31 December 2021	*31 December 2020*
Advances from customers	44,924	48,611
Short-term employee benefits	13,107	13,009
Other current liabilities	450	504
	58,481	**62,124**

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 and are recognized as revenue from sales in full amount in subsequent period.

24. Taxes payable, other than income tax

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

	31 December 2021	*31 December 2020*
VAT payable	2,584	1,970
Accrued and withheld payroll taxes	2,053	1,395
Other miscellaneous taxes payable	987	858
	5,624	**4,223**

25. Cost of sales

Cost of sales consisted of the following:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Materials	(512,001)	(268,811)
Energy and utilities	(138,042)	(76,007)
Payroll and related expenses *	(66,875)	(59,266)
Depreciation	(54,010)	(51,754)
Rolling tools and instruments	(22,715)	(21,470)
Repairs and maintenance	(16,370)	(11,728)
Variable land lease payments	(6,932)	(6,234)
(Accrual) / reversal of adjustment of inventories to NRV, net (Note 13)	(2,374)	9,166
Land tax	(548)	(185)
Foreign exchange cash flow hedge (Note 37)	-	(83,689)
Other	(5,096)	(27,550)
	(824,963)	**(597,528)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 12,639 thousand for the year ended 31 December 2021 (31 December 2020: USD 11,077 thousand).

(in US dollars and in thousands)

26. Selling and distribution expenses

Selling and distribution expenses consisted of the following:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Forwarding and transportation services	(64,311)	(49,813)
Payroll and related expenses*	(9,883)	(10,804)
Storage and packaging expenses	(8,626)	(5,675)
Customs services and duties	(6,879)	(14,811)
Professional fees, related to market research, and other service fees	(3,707)	(4,116)
Sales agency fees	(2,975)	(2,399)
Expected credit impairment reversals of trade receivables, net (Note 36)	(1,476)	103
Advertising and promotion	(1,290)	(673)
Depreciation	(759)	(795)
Insurance expense	(8)	(140)
Other	(1,122)	(732)
	(101,036)	**(89,855)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 779 thousand for the year ended 31 December 2021 (31 December 2020: USD 984 thousand).

27. General and administrative expenses

General and administrative expenses consisted of the following:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Payroll and related expenses	(29,393)	(20,136)
Professional fees	(8,598)	(8,759)
Depreciation and amortisation	(2,948)	(2,573)
Business trips and transportation	(861)	(808)
Rent (for items exempt under IFRS 16 – low-value and short-term)	(728)	(708)
Taxes, other than income tax	(628)	(354)
Bank fees	(603)	(437)
Insurance expense	(579)	(394)
Communication	(384)	(465)
Repairs and maintenance	(302)	(245)
Other	(1,640)	(1,463)
	(46,664)	**(36,342)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 3,993 thousand for the year ended 31 December 2021 (31 December 2020: USD 2,018 thousand).

Auditors' remuneration

Auditors' remuneration for the year ended 31 December 2021 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 523 thousand (2020: USD 561 thousand) as well as non-audit fees of USD 38 thousand (2020: USD 269 thousand).

28. Other operating income and expenses

Other operating income and expenses consisted of the following:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Maintenance of social assets	(2,166)	(5,754)
Impairment of other assets	(68)	(381)
Write-off of impairment of prepayments and other assets	(55)	(704)
Gain / (loss) on disposal of by-products	11,561	(175)
Effect of revaluation of property, plant and equipment	(2,428)	-
Gain on disposal of property, plant and equipment and intangible assets	1,115	1,096
Customers' and other claims, net of reversals	4	(2,386)
Other gain	1,210	2,248
	9,173	**(6,056)**

(in US dollars and in thousands)

29. 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 2021	*For the year ended 31 December 2020*
Operating foreign exchange gains / (losses) originated on		
trade accounts receivable	(32,002)	85,156
settlements with suppliers	15,900	(16,035)
other operating exchange difference	(6,632)	8,329
	(22,734)	**77,450**
Non-operating foreign exchange gains / (losses) originated on		
loans payable other than those designated as hedging items	7,886	1,510
cash balances	(815)	16,551
	7,071	**18,061**

30. Finance income

Finance income consisted of the following:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Interest income	1,040	1,821
Change in FV of financial instruments (Note 17)	478	-
Other finance income	283	6,972
Exit Fee de-recognition (Note 20)	-	27,066
	1,801	**35,859**

31. Finance costs

Finance costs consisted of the following:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Interest expense (Note 20)	(17,834)	(18,185)
Performance Sharing Fee re-measurement Note 20)	(13,178)	(5,329)
Subordinated Loan discount unwinding (Note 19)	(4,800)	(4,365)
Defined benefit state pension plan interest costs (Note 21)	(4,698)	(4,369)
Insurance expenses	(1,147)	(1,359)
Amortisation costs	(294)	-
Retirement benefit plan interest costs (Note 21)	(240)	(301)
Exit Fee re-measurement (Note 20)	-	(2,523)
Other finance costs	(2,347)	(2,313)
	(44,538)	**(38,744)**

32. 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 33 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 of the Former Parent.

As part of the Restructuring in 2019, 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 2021 and 2020, the number of shares amounted to 4,002,000,000 and 4,002,000,000 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 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 2021 and 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 2021 and 2020) 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 year ended 31 December 2020.

In March 2021 the Company has declared dividends in the amount of USD 80,000 thousand with the following settlements of USD 40,000 thousand in March 2021 and USD 40,000 thousand in July 2021.

In May 2021 the Company has declared and paid dividends in the amount of USD 150,000 thousand.

(in US dollars and in thousands)

33. Principal subsidiaries

The Group included the following subsidiaries as at 31 December 2021 and 2020:

			Effective ownership	
Name of the company	*Country of incorporation*	*Business activities*	*31 December 2021*	*31 December 2020*
PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant"	Ukraine	Production of seamless pipes and railway wheels	94,75040%	94,75040%
JSC "Interpipe Novomoskovsk Pipe-Production Plant"	Ukraine	Production of welded pipes	90,62046%	90,07474%
"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	97,94998%	97,94998%
"Limestone factory" LLC	Ukraine	Production of limestone	94,75038%	94,75038%
Society "Dishware Novomoskovsk" Ltd	Ukraine	Production of dishware	90,62044%	90,07472%
JSC "Interpipe Dneprovtormet"	Ukraine	Scrap metal processing	98,71033%	98,67334%
"META" LLC	Ukraine	Scrap metal processing	98,71467%	98,57467%
"Luganskiy Kombinat Vtormet" LLC	Ukraine	Scrap metal processing, dormant company	98,67332%	98,67332%
"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%
KLW North America, 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 for non-controlling interest acquisition in JSC "Interpipe Novomoskovsk Pipe-Production Plant", JSC "Interpipe Dneprovtormet" in 2021 and PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant", JSC "Interpipe Novomoskovsk Pipe-Production Plant", JSC "Interpipe Dneprovtormet" in 2020 there were no new acquisitions.

(in US dollars and in thousands)

34. 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 2021 and 2020, 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:

	2021			*2020*		
	Associates	*Other*	*Total*	*Associates*	*Other*	*Total*
Transactions:						
Sales	1,893	698	2,591	1,575	114	1,689
Purchases	10,052	9,306	19,358	6,716	8,298	15,014
General and administrative expenses	-	-	-	-	74	74
Finance income	-	-	-	-	212	212
Outstanding balances:						
Amounts owed to the Group	8,876	333	9,209	7,672	41	7,713
Amounts owed by the Group	6,746	1,484	8,230	5,811	413	6,224

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 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 2021, the Group has recorded an impairment charge relating to receivables from the related parties amounting to USD 1,903 thousand (2020: 1,835 thousand). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

In August 2020 the related party Bank ceased to qualify as a related party. Finance income in 2020 (till 2 August 2020 inclusively) amounting to USD 212 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 19.

Accounts payable to shareholders

As at 31 December 2021, accounts payable to shareholders, included in other accounts payable and, amounted to USD 237 thousand, (2020: USD 257 thousand) were interest free, unsecured and payable on demand.

(in US dollars and in thousands)

Compensation to key management personnel

Key management personnel of the Group as at 31 December 2021 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
Oleksandr Kirichko	Non-Executive Director
Tomas Mayer Kearney	Independent Non-Executive Director
Fiona Jane Mary Paulus	Independent Non-Executive Director
Fadi Khraybe	Chief Executive Officer of Interpipe Holdings PLC till 1 of March 2022.

Senior Management of the Group as at 31 December 2021 and 2020 comprised thirteen and eleven persons respectively (including the CEO who is also a member of the Board of Directors).

For the year ended 31 December 2021, total compensation, comprising short-term employee benefits, to the members of the Board of Directors amounted to USD 2,207 thousand (2020: USD 1,736 thousand) and total compensation to the members of Senior Management of the Group amounted to USD 3,331 thousand (2020: USD 4,723 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.

35. 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. 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.

In Cyprus, the tax results for the periods from 2011 to 2016 for Interpipe Limited and from 2008 to 2013 for Steel.One Limited are currently under review and objection with the Cyprus Tax Authorities.

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 2021 and 2020.

Litigations

As at 31 December 2021 and 2020, the Ukrainian subsidiaries of the Group were defendants in several litigations with a total potential claimed payments amounting to approximately USD 98 thousand and USD 325 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 2021 and 2020, respectively (Note 21).

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 2021 and 2020, the Group's contractual commitments for acquisition and modernisation of production equipment amounted to USD 11,487 thousand and USD 25,426 thousand, respectively.

(in US dollars and in thousands)

36. 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 2021	*31 December 2020*
Trade and other accounts receivable (Note 14)	188,967	105,230
Other current assets	16,744	8,700
Other current financial assets	50,478	-
Cash and cash equivalents (Note 18)	109,627	96,631
	365,816	**210,561**

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 2021 and 2020 is based on the simplified approach for lifetime expected credit losses and is presented in the table below.

	Expected credit loss weighted rate 2021	*Expected credit loss weighted rate 2020*	*31 December 2021*	*31 December 2020*
Trade accounts receivable:				
Current	1%	3%	1,395	1,436
Past due up to 3 month	4%	5%	3,093	1,963
Past due from 3 month up to 6 month	4%	7%	505	246
Past due over 6 month	62%	49%	5,370	4,770
Total expected credit loss			**10,363**	**8,415**
Other accounts receivable:				
Current	7%	60%	195	2,025
Past due up to 3 month	2%	8%	11	80
Past due from 3 month up to 6 month	13%	22%	22	44
Past due over 6 month	94%	71%	6,893	4,833
Total expected credit loss			**7,121**	**6,982**

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

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Trade accounts receivable:		
At period beginning	8,415	10,475
Charge / (recovery) for the year (Note 0)	1,476	(103)
Write-off	(193)	(1,092)
Translation difference	665	(865)
At period end	**10,363**	**8,415**
Other accounts receivable:		
At period beginning	6,982	7,923
Charge / (recovery) for the year (Note 0)	46	(212)
Write-off	(11)	(84)
Translation difference	104	(645)
At period end	**7,121**	**6,982**

Carrying amount of financial liabilities

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

	31 December 2021	*31 December 2020*
Subordinated Loan (Note 19)	51,627	46,827
Borrowings and interest payable (Note 20)	343,333	52,141
Trade and other accounts payable (Note 0)	109,034	57,104
	503,994	**156,072**

(in US dollars and in thousands)

Changes in liabilities arising from financing activities:

	1 January 2021	*Changes from financing cash flows*	*The effect of changes in foreign exchange rates*	*Interest, finance costs and other changes*	*31 December 2021*
Borrowings and interest payable (Note 20):					
Notes 2026	-	300,000	-	(2,064)	297,936
General Loan Facility	45,460	(57)	(3,517)	-	41,886
Notes 2024	6,472	(6,472)	-	-	-
Performance Sharing Fee	64,948	-	-	13,177	78,125
Lease liability	1,661	-	-	(508)	1,153
Interest accrued but not paid	209	-	(217)	3,519	3,511
	118,750	293,471	(3,734)	14,124	422,611
Subordinated Loan (Note 19)	46,827	-	-	4,800	51,627
Total	**165,577**	**293,471**	**(3,734)**	**18,924**	**474,238**

	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 20):					
General Loan Facility	-	44,905	555	-	45,460
Notes 2024	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)	555	(20,499)	118,750
Subordinated Loan (Note 19)	42,462	-	-	4,365	46,827
Total	**461,471**	**(280,315)**	**555**	**(16,134)**	**165,577**

37. Financial risk management

The Group's principal financial instruments comprise trade receivables and payables, interest bearing loans due to banks, bonds issued, other current financial assets, 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.

(in US dollars and in thousands)

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:

	100 UAH	*1 EUR*	*100 RUB*
As at 31 December 2021	3.666	1.134	1.334
As at 31 December 2020	3.537	1.229	1.338

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 2021 and 2020:

As at 31 December 2021	*UAH*	*USD*	*EUR*	*RUB*	*Other*	***Total***
Other non-current assets	194	6,725	-	-	-	**6,919**
Trade and other accounts receivable	47,272	79,888	47,197	14,442	168	**188,967**
Other current financial assets	-	44,349	422	-	5,707	**50,478**
Cash and bank deposits	27,340	69,325	11,477	766	719	**109,627**
	74,806	**200,287**	**59,096**	**15,208**	**6,594**	**355,991**
Subordinated Loan	-	51,627	-	-	-	**51,627**
Borrowings and interest payable	-	380,724	41,887	-	-	**422,611**
Trade and other accounts payable	73,488	23,633	11,797	86	30	**109,034**
	73,488	**455,984**	**53,684**	**86**	**30**	**583,272**

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**

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 2021	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+14.00%	44,945	(85,734)
EUR/UAH	+15.00%	9,768	(6,283)
RUB/UAH	+19.00%	2,956	-
EUR/USD	+9.00%	(8,025)	-
USD/UAH	-11.00%	(35,314)	67,363
EUR/UAH	-13.00%	(8,465)	5,445
RUB/UAH	-15.00%	(2,333)	-
EUR/USD	-9.00%	8,025	-

(in US dollars and in thousands)

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	-

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 2021 and 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 2021	*For the year ended 31 December 2020*
Foreign exchange cash flow hedges total charge	-	-
Total foreign exchange loss recognised in OCI	-	-
Reclassification of the foreign exchange loss to Cost of sales (Note 25)	-	83,689
Total reclassification of the foreign exchange loss to profit and loss	-	83,689
Net effect of cash flow hedge accounting	**-**	**83,689**

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 2021 and 2020, the accumulated balance of exchange differences on net investment in foreign operations amounted to USD 772,921 thousand and USD 799,638 thousand, respectively.

The impact of exchange differences on other comprehensive income comprises:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
Exchange differences on translation of foreign operations (other than financial instruments designated as net investments)	9,458	(45,962)
Net foreign exchange gain/ (loss) from financial instruments designated as part of net investments in foreign operations	26,717	(154,357)
	36,175	**(200,319)**

(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 20):

As at 31 December 2021	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Notes 2026	-	-	300,000	-	300,000
Subordinated loan	-	-	69,204	-	69,204
General Loan Facility	-	1,524	40,362	-	41,886
Performance Sharing Fee	-	33,456	65,487	-	98,943
Lease liability	-	553	600	-	1,153
Interest payable	-	3,511	-	-	3,511
Trade and other accounts payable	109,034	-	-	-	109,034
	109,034	**39,044**	**475,653**	-	**623,731**

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
Notes 2024	-	-	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**

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 20). 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 2021	*High / low limits of change in interest rate, %*	*Effect on profit before tax*
Interest rate	-1%	3,419
Interest rate	+1%	(3,419)

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)

(in US dollars and in thousands)

Credit risk

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of bank deposits (Notes 15 and 18), other current financial assets (Note 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 2021	*31 December 2020*
As rated by Fitch:		
AA	26,067	3,764
A	25,442	33,063
BBB	10,106	675
B	27,411	33,176
Not rated and other	20,601	25,953
	109,627	**96,631**

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 2021	*31 December 2020*
Borrowings and interest payable	422,611	118,750
Trade and other accounts payable	109,037	57,104
Less: Cash and cash equivalents	(109,627)	(96,631)
Net debt	**422,021**	**79,223**
Equity	438,291	520,486
Capital and net debt	**860,312**	**599,709**
Gearing ratio *	49%	13%

** Gearing ratio = Net debt / Capital and net debt*

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.

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

As discussed in the Note 20, the Performance Sharing Fee valuation depends on the level of the Group performance during the Fee Assessment Period as well as on EIR applied in determination of its carrying amount (amortized cost) as at 31 December 2021 and 2020 – applied 14.43% per annum as at 31 December 2021 and 10.25% per annum as at 31 December 2020

The table below summarises the Performance Sharing Fee change (+ or –) of its carrying amount of USD 78,125 thousand and 64,948 thousand as at 31 December 2021 and 2020, respectively, depending on (i) change of the notional amount by USD 10 million per annum during the Fee Assessment Period and (ii)&(iii) changes in the EIR by 1% (to 11.25% per annum / 9.25% per annum) used in the Performance Sharing Fee fair value determination as at 31 December 2021 and 2020:

	31 December 2021	*31 December 2020*
EBITDA change by USD 10 millions (plus/minus) – (i)	4,134	3,396
Market rate at 11.25% (plus 1.00%) – (ii)	(1,151)	(1,640)
Market rate at 9.25% (minus 1.00%) – (iii)	1,182	1,702

Fair values of financial instruments

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

38. Events after the reporting period

In January 2022 the Company has declared and paid in-kind dividends in the amount of USD 48,900 thousand.

In February 2022 as finalisation of the joint venture dissolution Interpipe intended to purchased 50.1%. held by Vallourec in a German limited liability company Vallourec Niko Tube Holding GmbH for the consideration of USD 2,481 thousand (equivalent of EUR 2,189 thousand), but it was postponed till the end of the Martial law in Ukraine.

In February 2022, Franz Josef Marx was appointed as a Director of the Company.

In March 2022, Franz Josef Marx was appointed as a Chief Executive Officer of the Company (replacing Fadi Khraybe on this position) with a suspension of his duties for the 3 months until the 31st of May 2022 and Andrii Korotkov was appointed as a Chief Executive Officer of the Company replacing Franz Josef Marx during the suspension period.

On 24 February 2022 Russian Federation started its military invasion of Ukraine. As result the government has introduced a martial law throughout Ukraine. As of the date of the consolidated financial statements Dnipro region, where all production facilities are located, are not impacted by active military operations.

As of the date of the consolidated financial statements the Group continue resuming its operations with some restrictions that are implemented by mostly all companies in Ukraine. The Group maintains control over all its assets in Ukraine and all its operations. The Group supports all its employees with the necessary financial support. The Group actively supports the Armed Forces of Ukraine and the Territorial Defence.

The Government of Ukraine works together with Dnipro region metallurgical industry, in order to renew its railway road logistics and maintain its operations in current circumstances.

Debt service payments are not significant for the Group at this stage and can be covered by current operational cash flow obtained from available cash balances, trade receivable settlements and sale of finished goods. The Group has sufficient funds to serve the existing debt. The Group has access to all its bank accounts which disburse funds for main operational needs (incl. salaries, taxes, inputs etc).

The Group is in contact with existing lenders and monitors its obligations on the regular basis.

The Group’s business information is secured and properly stored. Back up storages for all business data are located in different places.

The management prepared the Group’s 12 months forecast based on the known facts and events and there is a significant uncertainty over the future development of military invasion, its duration and short and long-term impact on the Group, its people, operations, liquidity, and assets. There could be multiple scenarios of further developments of the current situation with unknow likelihood and the magnitude of the impact on the Group might be from significant to severe.

The Group has issued the financial statements later than required (Note 2), however the management applied remediation actions during permitted grace period of 30 days and issued the Consolidated Financial Statements on 25 May 2022.

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