

PAO TMK

**Unaudited Interim Condensed
Consolidated Financial Statements**

Six-month period ended June 30, 2020

PAO TMK

Unaudited Interim Condensed Consolidated Financial Statements Six-month period ended June 30, 2020

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Report on Review of Interim Financial Information

To the shareholders and Board of Directors of
PAO TMK

Introduction

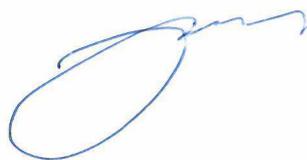
We have reviewed the accompanying interim condensed consolidated financial statements of PAO TMK and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2020, the interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month and six-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and condensed explanatory notes (interim financial information). Management of PAO TMK is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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



D.M. Zhigulin
Partner
Ernst & Young LLC

14 August 2020

Details of the entity

Name: PAO TMK
Registered on 17 April 2001. Record made in the State Register of Legal Entities on 19 September 2002, State Registration Number 1027739217758.
Address: Russia 105062, Moscow, Pokrovka street, 40/2a.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

PAO TMK

Unaudited Interim Consolidated Income Statement
Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles, unless specified otherwise)

		Six-month period ended June 30,					
		2020			2019		
	NOTES	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue	3	111,990	-	111,990	129,679	37,691	167,370
Cost of sales	4	(87,315)	-	(87,315)	(101,928)	(34,015)	(135,943)
Gross profit		24,675	-	24,675	27,751	3,676	31,427
Selling and distribution expenses	5	(9,166)	-	(9,166)	(7,324)	(491)	(7,815)
Advertising and promotion expenses		(195)	-	(195)	(255)	(15)	(270)
General and administrative expenses	6	(6,816)	-	(6,816)	(6,436)	(1,826)	(8,262)
Research and development expenses		(63)	-	(63)	(70)	(158)	(228)
Other operating income/(expenses)	7	(1,017)	-	(1,017)	(387)	(20)	(407)
Operating profit		7,418	-	7,418	13,279	1,166	14,445
Impairment of property, plant and equipment	12	(4,257)	-	(4,257)	-	-	-
Impairment of financial investments		(483)	-	(483)	-	-	-
Foreign exchange gain/(loss)		3,834	-	3,834	2,108	(14)	2,094
Finance costs		(6,805)	-	(6,805)	(7,197)	(186)	(7,383)
Finance income		837	-	837	485	-	485
Gains/(losses) from associates		64	-	64	(201)	-	(201)
Gain/(loss) on disposal of subsidiaries	9	-	23,901	23,901	(7)	-	(7)
Other non-operating income/(expenses)		(152)	-	(152)	(304)	(145)	(449)
Profit/(loss) before tax		456	23,901	24,357	8,163	821	8,984
Income tax benefit/(expense)	8,9	(716)	(3,413)	(4,129)	(2,066)	(242)	(2,308)
Profit/(loss) for the period		(260)	20,488	20,228	6,097	579	6,676
Attributable to:							
Equity holders of the parent entity		(212)	20,488	20,276	5,955	579	6,534
Non-controlling interests		(48)	-	(48)	142	-	142
		(260)	20,488	20,228	6,097	579	6,676
Earnings/(loss) per share (in roubles)		(0.206)	19.867	19.661	5.767	0.561	6.328

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

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Unaudited Interim Consolidated Income Statement
Six-month period ended June 30, 2020 (continued)

(All amounts in millions of Russian roubles, unless specified otherwise)

	NOTES	Three-month period ended June 30,					
		2020			2019		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue	3	56,671	-	56,671	66,592	17,709	84,301
Cost of sales	4	(44,850)	-	(44,850)	(52,211)	(16,163)	(68,374)
Gross profit		11,821	-	11,821	14,381	1,546	15,927
Selling and distribution expenses	5	(3,423)	-	(3,423)	(3,633)	(144)	(3,777)
Advertising and promotion expenses		(122)	-	(122)	(153)	(10)	(163)
General and administrative expenses	6	(3,370)	-	(3,370)	(3,004)	(861)	(3,865)
Research and development expenses		(31)	-	(31)	(35)	(48)	(83)
Other operating income/(expenses)	7	(447)	-	(447)	267	(60)	207
Operating profit		4,428	-	4,428	7,823	423	8,246
Impairment of property, plant and equipment	12	-	-	-	-	-	-
Impairment of financial investments		(313)	-	(313)	-	-	-
Foreign exchange gain/(loss)		2,248	-	2,248	444	(7)	437
Finance costs		(3,193)	-	(3,193)	(3,533)	(102)	(3,635)
Finance income		461	-	461	176	-	176
Gains/(losses) from associates		16	-	16	(24)	-	(24)
Gain/(loss) on disposal of subsidiaries	9	-	(2,657)	(2,657)	-	-	-
Other non-operating income/(expenses)		(88)	-	(88)	(193)	(57)	(250)
Profit/(loss) before tax		3,559	(2,657)	902	4,693	257	4,950
Income tax benefit/(expense)	8,9	(833)	531	(302)	(1,182)	(75)	(1,257)
Profit/(loss) for the period		2,726	(2,126)	600	3,511	182	3,693
Attributable to:							
Equity holders of the parent entity		2,668	(2,126)	542	3,463	182	3,645
Non-controlling interests		58	-	58	48	-	48
		2,726	(2,126)	600	3,511	182	3,693
Earnings/(loss) per share (in roubles)		2.587	(2.061)	0.526	3.354	0.177	3.531

Information about the discontinued operations is presented in Note 9.

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

PAO TMK

Unaudited Interim Consolidated Statement of Comprehensive Income
Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles)

	NOTES	Six-month period ended June 30,		Three-month period ended June 30,	
		2020	2019	2020	2019
Profit/(loss) for the period		20,228	6,676	600	3,693
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations to presentation currency ⁽ⁱ⁾		1,838	(7,108)	(1,537)	(1,517)
Foreign currency gain on hedged net investment in foreign operations, net of tax ⁽ⁱⁱ⁾		-	4,053	-	1,058
Reclassification of foreign currency reserves to the income statement, net of tax ⁽ⁱⁱ⁾	9	(6,022)	-	-	-
Other comprehensive income/(loss) for the period, net of tax		(4,184)	(3,055)	(1,537)	(459)
Total comprehensive income/(loss) for the period, net of tax		16,044	3,621	(937)	3,234
Attributable to:					
Equity holders of the parent entity		16,078	3,563	(999)	3,189
Non-controlling interests		(34)	58	62	45
		16,044	3,621	(937)	3,234

(i) The amounts were attributable to equity holders of the parent entity and to non-controlling interests as presented in the table below:

	Six-month period ended June 30,		Three-month period ended June 30,	
	2020	2019	2020	2019
Exchange differences on translation of foreign operations to presentation currency attributable to:				
Equity holders of the parent entity	1,824	(7,024)	(1,541)	(1,514)
Non-controlling interests	14	(84)	4	(3)
	1,838	(7,108)	(1,537)	(1,517)

(ii) The amounts were attributable to equity holders of the parent entity.

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

PAO TMK

Unaudited Interim Consolidated Statement of Financial Position
as at June 30, 2020

(All amounts in millions of Russian roubles)

	NOTES	June 30, 2020		December 31, 2019	
ASSETS					
Current assets					
Cash and cash equivalents	10	51,790		21,899	
Trade and other receivables		81,649		65,910	
Inventories	11	54,744		56,281	
Prepayments and input VAT		10,542		9,845	
Prepaid income taxes		1,233		939	
Other financial assets	16	13,052	213,010	826	155,700
Assets of disposal group held for sale	9	-	-	57,790	57,790
Non-current assets					
Investments in associates and joint ventures		62		61	
Property, plant and equipment	12	114,646		117,403	
Goodwill		1,041		1,041	
Intangible assets		1,005		769	
Deferred tax asset		10,578		11,405	
Other non-current assets	16	13,779	141,111	8,013	138,692
TOTAL ASSETS			354,121		352,182
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	65,531		51,782	
Advances from customers		11,764		5,962	
Provisions and accruals	14	3,857		3,447	
Interest-bearing loans and borrowings	15	69,182		83,244	
Lease liability		723		628	
Income tax payable		197		1,072	
Other liabilities	17	-	151,254	9,511	155,646
Liabilities of disposal group held for sale	9	-	-	11,386	11,386
Non-current liabilities					
Interest-bearing loans and borrowings	15	115,365		100,625	
Lease liability		4,744		4,510	
Deferred tax liability		3,642		4,227	
Provisions and accruals	14	50		56	
Employee benefits liability		1,507		1,472	
Other liabilities	17	30,809	156,117	20,665	131,555
Total liabilities			307,371		298,587
Equity					
Parent shareholders' equity					
Share capital		10,331		10,331	
Treasury shares		(109)		(109)	
Additional paid-in capital		14,714		14,525	
Reserve capital		517		517	
Retained earnings		34,770		14,633	
Foreign currency translation reserve		6,508		4,684	
Reserves of disposal group held for sale	9	-		6,022	
Other reserves		(21,923)	44,808	(56)	50,547
Non-controlling interests			1,942		3,048
Total equity			46,750		53,595
TOTAL LIABILITIES AND EQUITY			354,121		352,182

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

PAO TMK
Unaudited Interim Consolidated Statement of Changes in Equity
Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles)

	Attributable to equity holders of the parent							Non-controlling interests	TOTAL	
	Share capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained earnings	Foreign currency translation reserve*	Other reserves			Total
At January 1, 2020	10,331	(109)	14,525	517	14,633	10,706	(56)	50,547	3,048	53,595
Profit/(loss) for the period	-	-	-	-	20,276	-	-	20,276	(48)	20,228
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	(4,198)	-	(4,198)	14	(4,184)
Total comprehensive income/(loss) for the period, net of tax	-	-	-	-	20,276	(4,198)	-	16,078	(34)	16,044
Voluntary tender offer to acquire ordinary shares of PAO TMK (Note 20 iv)	-	-	-	-	-	-	(21,960)	(21,960)	-	(21,960)
Dividends declared by subsidiaries of the Group to the non-controlling interest owners (Note 20 iii)	-	-	-	-	-	-	-	-	(107)	(107)
Acquisition of subsidiaries (Note 9)	-	-	-	-	-	-	-	-	63	63
Reclassification of actuarial losses due to disposal of subsidiaries (Note 9)	-	-	-	-	(93)	-	93	-	-	-
Acquisition of non-controlling interests in subsidiaries (Note 20 ii)	-	-	189	-	(46)	-	-	143	(1,028)	(885)
At June 30, 2020	10,331	(109)	14,714	517	34,770	6,508	(21,923)	44,808	1,942	46,750

*As at January 1, 2020, the amount includes reserves of the disposal group held for sale of 6,022 (Note 9).

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

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Unaudited Interim Consolidated Statement of Changes in Equity
Six-month period ended June 30, 2020 (continued)

(All amounts in millions of Russian roubles)

	Attributable to equity holders of the parent							Non-controlling interests	TOTAL	
	Share capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained earnings	Foreign currency translation reserve	Other reserves			Total
At January 1, 2019	10,331	(38)	14,513	517	13,429	14,506	290	53,548	3,249	56,797
Profit/(loss) for the period	-	-	-	-	6,534	-	-	6,534	142	6,676
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	(2,971)	-	(2,971)	(84)	(3,055)
Total comprehensive income/(loss) for the period, net of tax	-	-	-	-	6,534	(2,971)	-	3,563	58	3,621
Purchase of treasury shares	-	(6)	-	-	-	-	-	(6)	-	(6)
Dividends declared by the Company to its shareholders	-	-	-	-	(2,633)	-	-	(2,633)	-	(2,633)
Dividends declared by subsidiaries of the Group to the non-controlling interest owners	-	-	-	-	-	-	-	-	(77)	(77)
Change of participation in subsidiaries	-	-	-	-	(7)	-	-	(7)	(73)	(80)
At June 30, 2019	10,331	(44)	14,513	517	17,323	11,535	290	54,465	3,157	57,622

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

PAO TMK

Unaudited Interim Consolidated Statement of Cash Flows
Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles)

	NOTES	Six-month period ended June 30,	
		2020	2019
Operating activities			
Profit/(loss) before tax		24,357	8,984
Adjustments to reconcile profit/(loss) before tax to operating cash flows:			
Depreciation of property, plant and equipment		6,070	7,675
Amortisation of intangible assets		144	115
(Gain)/loss on disposal of property, plant and equipment	7	219	255
Impairment of property, plant and equipment	12	4,257	-
Impairment of financial investments		483	-
Foreign exchange (gain)/loss		(3,834)	(2,094)
Finance costs		6,805	7,383
Finance income		(837)	(485)
(Gain)/loss on disposal of subsidiaries		(23,901)	7
Other non-operating (income)/expenses		152	449
(Gains)/losses from associates		(64)	201
Movement in allowances and provisions		2,262	(226)
Operating cash flows before working capital changes		16,113	22,264
Working capital changes:			
Decrease/(increase) in inventories		1,997	303
Decrease/(increase) in trade and other receivables		(9,525)	(10,083)
Decrease/(increase) in prepayments and input VAT		(5,720)	603
Increase/(decrease) in trade and other payables		(12,951)	1,721
Increase/(decrease) in advances from customers		15,829	(6,825)
Cash generated from operations		5,743	7,983
Income taxes paid		(5,278)	(1,624)
Net cash flows from operating activities		465	6,359
Investing activities			
Purchase of property, plant and equipment		(5,239)	(6,593)
Purchase of intangible assets		(105)	(473)
Disposal of subsidiary, net of cash disposed		65,940	-
Issuance of loans		(1,139)	(2,516)
Proceeds from repayment of loans issued		1,120	1,523
Interest received		555	375
Other cash movements		(12,412)	142
Net cash flows from/(used in) investing activities		48,720	(7,542)
Financing activities			
Purchase of treasury shares		(65)	(6)
Proceeds from borrowings		91,240	51,038
Repayment of borrowings		(104,337)	(54,288)
Interest paid		(6,454)	(7,027)
Payment of lease liabilities		(451)	(653)
Acquisition of non-controlling interests		(872)	-
Dividends paid to non-controlling interest shareholders		(68)	-
Other cash movements	17	(9,511)	4,019
Net cash flows used in financing activities		(30,518)	(6,917)
Net increase/(decrease) in cash and cash equivalents		18,667	(8,100)
Net foreign exchange difference		10,999	(875)
Cash and cash equivalents at January 1		22,124	27,221
Cash and cash equivalents at June 30		51,790	18,246
Continuing operations		51,790	18,184
Discontinued operations		-	62

The amounts for the six-month period ended June 30, 2019 include cash flows of the disposal group held for sale (Note 9).

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

PAO TMK

Notes to the Unaudited Interim Condensed Consolidated Financial Statements Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles, unless specified otherwise)

1) Corporate Information

These interim condensed consolidated financial statements of PAO TMK and its subsidiaries (the “Group”) for the six-month period ended June 30, 2020 were authorised for issue in accordance with a resolution of the CEO on August 14, 2020.

PAO TMK (the “Company”), the parent company of the Group, is a Public Joint-Stock Company. Both registered and principal office of the Company is 40/2a Pokrovka Street, Moscow, the Russian Federation.

The Company’s controlling shareholder is TMK Steel Holding Limited. TMK Steel Holding Limited is ultimately controlled by D.A. Pumpyanskiy.

The Group is one of the world’s leading producers of steel pipes for the oil and gas industry, a global company with extensive network of production facilities, sales companies and representative offices.

The principal activities of the Group are the production and sales of a wide range of steel pipes used in the oil and gas sector, chemical and petrochemical industries, energy and machine building, construction, agriculture and other economic sectors. The Group delivers its products along with an extensive package of services in heat treatment, protective coating, premium connections threading, pipe storage and repairing.

2) Significant Accounting Policies

i) Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2019. Operating results for the six-month period ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

ii) Foreign Currency Translation

The presentation currency for the purpose of these consolidated financial statements of the Group is the Russian rouble. The Group management decided to use the Russian rouble instead of the US dollar as the presentation currency for the consolidated financial statements effective from January 1, 2020. The Russian rouble is the functional currency of PAO TMK and most of its subsidiaries (upon completion of the sale of IPSCO, Note 9).

iii) Application of New and Amended IFRSs

In the preparation of these interim condensed consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the annual consolidated financial statements for the year ended December 31, 2019, except for changes resulted from the adoption of new and amended IFRSs.

The nature and the impact of the adoption of new and amended standards, which became effective on January 1, 2020, are described below.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles, unless specified otherwise)

2) Significant Accounting Policies (continued)

iii) Application of New and Amended IFRSs (continued)

IFRS 3 Business Combinations (amendments) – Definition of a Business

These amendments revise the definition of a business. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group was not affected by these amendments on the date of transition.

IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (amendments) – Interest Rate Benchmark Reform

These amendments provide certain reliefs in connection with interest rate benchmark IBOR reform. IBOR reform assumes the replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates (IBORs). The IASB has a two-phase project to consider what, if any, reliefs to give from the effects of IBOR reform. Phase 1, which considers reliefs to hedge accounting in the period before the reform, has led to these amendments. Phase 2 of the IASB's project will address issues that arise once the existing interest rate is replaced with an alternative interest rate. The Phase 1 amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. The amendments did not have any impact on the Group's financial position or performance.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments) – Definition of Material

The amendments clarify the definition of material and make IFRSs more consistent by: i) using a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarifying the explanation of the definition of material; and iii) incorporating some of the guidance in IAS 1 about immaterial information. The amendments did not have a significant impact on the Group's financial position or performance.

The Conceptual Framework for Financial Reporting (revised)

In March 2018, the IASB issued a revised version of the Conceptual Framework for Financial Reporting. The Conceptual Framework for Financial Reporting is not a standard, and none of the concepts override those in any standard or any requirements in a standard. It includes a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The revision includes some new concepts, provides updated definitions and criteria and clarifies some important concepts. The changes to the Conceptual Framework did not have a significant impact on the financial position or performance of the Group.

PAO TMK

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles, unless specified otherwise)

3) Segment Information

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed. The Group has three reportable segments:

- Russia segment represents the results of operations and financial position of plants located in the Russian Federation, a finishing facility in Kazakhstan, oilfield service companies in Russia, traders located in Russia, the United Arab Emirates, the USA and Switzerland.
- Americas segment represents the results of operations and financial position of plants and traders located in the USA and Canada. On January 2, 2020, the Group completed the disposal of IPSCO Tubulars Inc. and its subsidiaries ("IPSCO") which constituted the Americas segment (Note 9).
- Europe segment represents the results of operations and financial position of plants located in Romania and traders located in Italy and Germany.

Management monitors the operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on Adjusted EBITDA. Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items. Group financing (including finance costs and finance income) is managed on a group basis and is not allocated to operating segments. Inter-segment revenues are eliminated upon consolidation.

The tables below disclose the information regarding the Group's reportable segments' results. The reconciliation from the operating profit/(loss) to the profit/(loss) before tax is provided in the income statement.

Six-month period ended June 30, 2020	Russia	Americas	Europe	TOTAL
Revenue	105,071	-	6,919	111,990
Cost of sales	(81,425)	-	(5,890)	(87,315)
Gross profit	23,646	-	1,029	24,675
Selling, general and administrative expenses	(14,610)	-	(1,630)	(16,240)
Other operating income/(expenses)	(995)	-	(22)	(1,017)
Operating profit/(loss)	8,041	-	(623)	7,418
Add back:				
Depreciation and amortisation	5,604	-	610	6,214
(Gain)/loss on disposal of property, plant and equipment	216	-	3	219
Movements in allowances and provisions	2,347	-	251	2,598
Other expenses	709	-	28	737
	8,876	-	892	9,768
Adjusted EBITDA	16,917	-	269	17,186

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(All amounts in millions of Russian roubles, unless specified otherwise)

3) Segment Information (continued)

Six-month period ended June 30, 2019	Russia	Americas	Europe	TOTAL
Revenue	121,008	37,691	8,671	167,370
Cost of sales	(95,411)	(34,015)	(6,517)	(135,943)
Gross profit	25,597	3,676	2,154	31,427
Selling, general and administrative expenses	(12,447)	(2,490)	(1,638)	(16,575)
Other operating income/(expenses)	(330)	(20)	(57)	(407)
Operating profit	12,820	1,166	459	14,445
Add back:				
Depreciation and amortisation	5,733	1,423	634	7,790
(Gain)/loss on disposal of property, plant and equipment	196	121	(62)	255
Movements in allowances and provisions	285	574	12	871
Other expenses	615	4	32	651
	6,829	2,122	616	9,567
Adjusted EBITDA	19,649	3,288	1,075	24,012

Revenue from external customers for each group of products and services is disclosed below and for the six-month period ended June 30, 2019 includes the continuing and discontinued operations:

Sales to external customers	Seamless pipes	Welded pipes	Other operations	TOTAL
Six-month period ended June 30, 2020	86,564	19,312	6,114	111,990
Six-month period ended June 30, 2019	117,968	42,709	6,693	167,370

The following table presents the breakdown of revenue by geographical area. The information is disclosed based on the location of the customer and for the six-month period ended June 30, 2019 includes the continuing and discontinued operations.

	Russia	Americas	Europe	Middle East and North Africa	CIS	Eastern Asia, South-Eastern Asia and Far East	TOTAL
Revenue							
Six-month period ended June 30, 2020	81,208	2,332	16,994	1,134	9,893	429	111,990
Six-month period ended June 30, 2019	96,794	45,211	15,076	2,922	7,146	221	167,370

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4) Cost of Sales

	Six-month period ended June 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Raw materials and consumables	56,598	68,332	21,756	90,088
Staff costs including social security	11,932	11,123	5,947	17,070
Energy and utilities	8,259	8,667	1,358	10,025
Depreciation and amortisation	5,539	5,684	1,001	6,685
Repairs and maintenance	1,611	1,412	1,238	2,650
Contracted manufacture	1,136	1,002	1,741	2,743
Freight	796	627	1,492	2,119
Professional fees and services	605	525	596	1,121
Taxes	365	348	164	512
Import duties	321	-	731	731
Insurance	157	135	2	137
Other	70	76	307	383
Total production cost	87,389	97,931	36,333	134,264
Change in own finished goods and work in progress	(1,180)	2,841	(2,785)	56
Cost of sales of externally purchased goods	567	1,171	-	1,171
Obsolete stock, write-offs/(reversal of allowances)	539	(15)	467	452
Cost of sales	87,315	101,928	34,015	135,943

	Three-month period ended June 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Raw materials and consumables	24,842	35,290	9,895	45,185
Staff costs including social security	5,906	5,570	2,655	8,225
Energy and utilities	3,773	3,996	621	4,617
Depreciation and amortisation	2,766	2,759	-	2,759
Repairs and maintenance	698	673	743	1,416
Contracted manufacture	650	302	919	1,221
Freight	419	334	559	893
Professional fees and services	300	289	317	606
Taxes	184	172	63	235
Import duties	195	-	347	347
Insurance	82	64	1	65
Other	26	77	131	208
Total production cost	39,841	49,526	16,251	65,777
Change in own finished goods and work in progress	4,503	2,237	(449)	1,788
Cost of sales of externally purchased goods	270	437	-	437
Obsolete stock, write-offs/(reversal of allowances)	236	11	361	372
Cost of sales	44,850	52,211	16,163	68,374

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(All amounts in millions of Russian roubles, unless specified otherwise)

5) Selling and Distribution Expenses

	Six-month period ended June 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Freight	4,430	4,623	222	4,845
Impairment of receivables, write-offs/(reversal of impairment)	1,714	58	6	64
Staff costs including social security	1,256	1,099	232	1,331
Consumables	729	610	-	610
Professional fees and services	574	522	2	524
Import duties	217	169	-	169
Insurance	58	33	-	33
Depreciation and amortisation	54	43	-	43
Utilities and maintenance	48	43	-	43
Other	86	124	29	153
	9,166	7,324	491	7,815

	Three-month period ended June 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Freight	2,246	2,135	21	2,156
Impairment of receivables, write-offs/(reversal of impairment)	(267)	50	4	54
Staff costs including social security	632	592	105	697
Consumables	369	348	-	348
Professional fees and services	258	330	1	331
Import duties	72	53	-	53
Insurance	31	15	-	15
Depreciation and amortisation	31	22	-	22
Utilities and maintenance	23	20	-	20
Other	28	68	13	81
	3,423	3,633	144	3,777

6) General and Administrative Expenses

	Six-month period ended June 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Staff costs including social security	4,175	3,759	1,113	4,872
Professional fees and services	1,154	1,311	301	1,612
Depreciation and amortisation	617	465	12	477
Utilities and maintenance	365	340	-	340
Transportation	157	125	-	125
Taxes	74	81	30	111
Consumables	72	71	9	80
Rent	62	54	4	58
Travel	59	135	51	186
Other	81	95	306	401
	6,816	6,436	1,826	8,262

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Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles, unless specified otherwise)

6) General and Administrative Expenses (continued)

	Three-month period ended June 30,			
	2020		2019	
	Continuing operations	Continuing operations	Discontinued operations	Total
Staff costs including social security	2,111	1,701	516	2,217
Professional fees and services	535	609	150	759
Depreciation and amortisation	329	234	-	234
Utilities and maintenance	154	163	-	163
Transportation	74	62	-	62
Taxes	37	48	16	64
Consumables	38	39	6	45
Rent	46	27	1	28
Travel	10	78	23	101
Other	36	43	149	192
	3,370	3,004	861	3,865

7) Other Operating Income and Expenses

	Six-month period ended June 30,		Three-month period ended June 30,	
	2020	2019	2020	2019
	Social and social infrastructure maintenance expenses	402	314	150
Sponsorship and charitable donations	335	337	168	133
Taxes and penalties	163	175	30	51
(Gain)/loss on disposal of property, plant and equipment	219	255	112	33
Other (income)/expenses	(102)	(674)	(13)	(576)
	1,017	407	447	(207)

The amounts for the six-month period ended June 30, 2019 include the continuing and discontinued operations.

8) Income Tax

	Six-month period ended June 30,					
	2020			2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Current income tax	1,976	1,958	3,934	1,974	25	1,999
Adjustments in respect of income tax of previous periods	30	-	30	8	7	15
Deferred tax related to origination and reversal of temporary differences	(1,290)	1,455	165	84	210	294
	716	3,413	4,129	2,066	242	2,308

	Three-month period ended June 30,					
	2020			2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Current income tax	244	(265)	(21)	957	20	977
Adjustments in respect of income tax of previous periods	3	-	3	4	8	12
Deferred tax related to origination and reversal of temporary differences	586	(266)	320	221	47	268
	833	(531)	302	1,182	75	1,257

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9) Acquisition and Disposal of Subsidiaries

Sale of IPSCO

On March 22, 2019, the Group signed the Stock Purchase Agreement with Tenaris, a manufacturer of seamless and welded pipe, for the sale of 100% interest in IPSCO for an aggregate, cash free, debt-free price of 1,209 million US dollars, which included 270 million US dollars of working capital. The completion of the transaction was subject to the fulfillment of the conditions precedent in accordance with the Stock Purchase Agreement including, inter alia, the obtaining of all necessary permissions and approvals. From the date of that agreement IPSCO was classified as a disposal group held for sale and as discontinued operations. The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations as at December 31, 2019 (the amounts are presented after the elimination of intercompany balances in the net amount of 815):

	December 31, 2019
ASSETS	
Current assets	
Cash and cash equivalents	225
Trade and other receivables	1,961
Inventories	15,874
Prepayments and input VAT	318
Prepaid income taxes	728
Other financial assets	9
	19,115
Non-current assets	
Property, plant and equipment	24,475
Intangible assets	13,962
Other non-current assets	238
TOTAL ASSETS	57,790
LIABILITIES	
Current liabilities	
Trade and other payables	4,946
Advances from customers	22
Provisions and accruals	742
Interest-bearing loans and borrowings	25
Lease liability	458
Other liabilities	-
	6,193
Non-current liabilities	
Interest-bearing loans and borrowings	3,201
Lease liability	1,066
Deferred tax liability	221
Provisions and accruals	596
Employee benefits liability	97
Other liabilities	12
TOTAL LIABILITIES	11,386
Foreign currency translation reserve	49,535
Accumulated loss on hedged net investments, net of tax	(43,513)
TOTAL RESERVES	6,022

On December 17, 2019 the US Department of Justice approved the disposal of IPSCO which was completed on January 2, 2020 (the closing date). The consideration for the sale of IPSCO received by the Group on the closing date amounted to 1.067 billion US dollars. The selling price was subject to a contractual true-up adjustments based on actual amounts of working capital, indebtedness as of the closing date and certain other items. The selling price was finally determined in the second quarter of 2020 and amounted to 1.029 billion US dollars.

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9) Acquisition and Disposal of Subsidiaries (continued)

The Group recognised the disposal of IPSCO as at January 2, 2020. The gain on sale of IPSCO after income tax was 20,488 and comprised of the following amounts:

	Six-month period ended June 30, 2020
Sale consideration	63,468
Carrying amount of net assets sold (incl. cash in the amount of 225)	(45,589)
Gain on sale before income tax and reclassification of the foreign currency reserves	17,879
Income tax expense on gain	(3,413)
Reclassification of foreign currency translation reserve from equity	49,535
Net investment hedge reserves recycled from equity	(52,988)
Income tax recycled from equity	9,475
Gain on sale of the discontinued operation, net of tax	20,488

The net cash flows of the disposal group held for sale were as follows:

	Six-month period ended June 30, 2019
Net cash flows from operating activities	667
Net cash flows used in investing activities	(1,399)
Net cash flows from financing activities	741

Acquisition of Uralchermet

On March 16, 2020, the Group acquired 49% ownership interest in Uralchermet, a company specialising on pipe coating services, for the amount of 121. Before the acquisition, the Group owned 26% equity interest in Uralchermet, that was accounted for as an associate. The valuation of assets and liabilities of Uralchermet was completed in the second quarter of 2020. As at the transaction date the fair value of net assets was 253, the non-controlling interest value was 63.

10) Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

	June 30, 2020	December 31, 2019
Russian rouble	33,067	13,233
US dollar	18,177	5,629
Euro	495	2,919
Romanian lei	20	23
Other currencies	31	95
	51,790	21,899

The above cash and cash equivalents consisted primarily of cash at banks. As at June 30, 2020, the restricted cash amounted to 348 (December 31, 2019: 774).

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11) Inventories

	June 30, 2020	December 31, 2019
Finished goods	12,887	10,930
Work in progress	21,602	21,911
Raw materials and supplies	21,758	24,607
	56,247	57,448
Allowance for net realisable value of inventory	(1,503)	(1,167)
	54,744	56,281

12) Property, Plant and Equipment

Movement in property, plant and equipment in the six-month period ended June 30, 2020 was as follows:

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Other	Construction in progress	TOTAL
Cost							
Balance at January 1, 2020	59,734	133,217	4,558	3,675	414	14,058	215,656
Additions	-	-	-	-	-	5,304	5,304
Assets put into operation	3,447	7,125	317	197	10	(11,096)	-
Disposals	(61)	(980)	(57)	(28)	-	(5)	(1,131)
Increase due to acquisition of subsidiaries	401	411	19	4	-	2	837
Reclassifications	-	(13)	1	12	-	-	-
Currency translation adjustments	789	2,049	170	35	5	95	3,143
Balance at June 30, 2020	64,310	141,809	5,008	3,895	429	8,358	223,809
Accumulated depreciation and impairment							
Balance at January 1, 2020	(15,510)	(78,625)	(1,677)	(2,338)	(103)	-	(98,253)
Depreciation charge	(820)	(4,993)	(207)	(191)	(10)	-	(6,221)
Disposals	26	800	53	27	-	-	906
Impairment	-	(4,257)	-	-	-	-	(4,257)
Reclassifications	-	11	(1)	(10)	-	-	-
Currency translation adjustments	(245)	(989)	(77)	(23)	(4)	-	(1,338)
Balance at June 30, 2020	(16,549)	(88,053)	(1,909)	(2,535)	(117)	-	(109,163)
Net book value at June 30, 2020	47,761	53,756	3,099	1,360	312	8,358	114,646
Net book value at January 1, 2020	44,224	54,592	2,881	1,337	311	14,058	117,403

As a result of the deterioration of business conditions (Note 19) and in light of the presence of impairment indicators for the assets of the European division and Tagmet, the Group performed impairment tests as at March 31, 2020 and recognised an impairment loss in the total amount of 4,257 in respect of machinery and equipment of these cash generating units.

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13) Trade and Other Payables

	June 30, 2020	December 31, 2019
Trade payables	26,450	38,923
Liabilities for acquisition of interests in subsidiaries and ordinary shares of the Company (Note 20 iv)	22,235	290
Liabilities for VAT	7,782	6,122
Accounts payable for property, plant and equipment	3,879	4,084
Payroll liabilities	911	1,021
Accrued and withheld taxes on payroll	863	840
Liabilities for property tax	175	164
Dividends payable	46	7
Other payables	3,190	331
	65,531	51,782

14) Provisions and Accruals

	June 30, 2020	December 31, 2019
Current		
Provision for bonuses	1,154	1,483
Accrual for unused annual leaves	1,445	1,150
Current portion of employee benefits liability	126	125
Other provisions	1,132	689
	3,857	3,447
Non-current		
Accrual for unused annual leaves	26	38
Environmental provision	15	13
Provision for bonuses	9	5
	50	56

Other provisions include provisions for taxes, legal costs and claims not covered by insurance.

15) Interest-Bearing Loans and Borrowings

	June 30, 2020	December 31, 2019
Current		
Bank loans	42,650	37,697
Interest payable	1,220	1,024
Current portion of non-current borrowings	12,051	5,341
Current portion of bearer coupon debt securities	13,286	39,239
Unamortised debt issue costs	(25)	(57)
	69,182	83,244
Non-current		
Bank loans	66,528	90,728
Bearer coupon debt securities	49,188	10,000
Unamortised debt issue costs	(351)	(103)
	115,365	100,625

Breakdown of the Group's interest-bearing loans and borrowings by currencies was as follows:

	June 30, 2020	December 31, 2019
Russian rouble	135,957	104,340
US dollar	38,019	69,733
Euro	10,571	9,796
	184,547	183,869

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(All amounts in millions of Russian roubles, unless specified otherwise)

15) Interest-Bearing Loans and Borrowings (continued)

Unutilised Borrowing Facilities

As at June 30, 2020, the Group had unutilised borrowing facilities in the amount of 66,961.

16) Fair Value of Financial Instruments

For cash and cash equivalents, trade and other accounts receivable, loans issued, trade and other payables, other similar financial instruments the carrying amounts approximate their fair values.

The following table shows financial instruments which carrying values differ from fair values:

	June 30, 2020		December 31, 2019	
	Nominal value	Fair value	Nominal value	Fair value
Financial liabilities				
Long-term loans	73,580	73,540	91,058	91,370
6.75 per cent loan participation notes	-	-	30,953	31,219
4.3 per cent loan participation notes	34,976	33,687	-	-
Russian bonds	27,498	28,128	18,286	18,407

For quoted debt instruments (bonds and loan participation notes) the fair values were determined based on quoted market prices. The fair values of unquoted debt instruments were estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

As at June 30, 2020, the EUR-denominated bank promissory notes with a maturity of less than 1 year were included as part of other financial assets and with a maturity of more than 1 year as part of other non-current assets in the amounts of 12,216 and 5,115, respectively. The carrying amounts of the promissory notes approximate their fair values.

17) Other Liabilities

The Group transferred some of its intercompany debts in exchange for cash under factoring arrangements. In the six-month period ended June 30, 2020, the net cash outflows from these transactions amounted to 9,511 (six-month period ended June 30, 2019: net cash inflows of 4,019). As at June 30, 2020, the Group does not have any liability in respect of these factoring transactions. As at December 31, 2019, the liability amounted to 9,511.

Other non-current liabilities as at June 30, 2020 included advances from customers in the amount of 30,629 (December 31, 2019: 20,548).

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18) Related Parties Disclosures

Compensation to Key Management Personnel of the Group

Key management personnel include members of the Board of Directors, the Management Board and certain executives of the Group.

The compensation to key management personnel included:

- Wages, salaries, social security contributions and other short-term benefits in the amount of 947 (six-month period ended June 30, 2019: 492).
- Provision for performance bonuses in the amount of 296 (six-month period ended June 30, 2019: 171).

The amounts disclosed above were recognised as general and administrative expenses in the income statement for the six-month period ended June 30, 2020 and 2019 .

Transactions with the Parent of the Company

In the first quarter of 2020, the Group acquired additional share of 5.74% in TMK-Artrom S.A., the subsidiary of the Group, from the Parent of the Company for the amount of 572.

Transactions with Associates and Joint Ventures

The following table provides balances with associates and joint ventures:

	June 30, 2020	December 31, 2019
Loans issued	1,218	1,142
Trade and other receivables	22,819	12,568
Other prepayments	25	-
Trade and other payables	3	137

The Group guaranteed debts of associates and joint ventures outstanding as at June 30, 2020 in the amount of 4,330 (December 31, 2019: 3,832).

Allowance for expected credit losses in respect of receivables and loans from associates and joint ventures amounted to 490 as at June 30, 2020 (December 31, 2019: 112).

The following table provides the summary of transactions with associates and joint ventures:

	Six-month period ended June 30,		Three-month period ended June 30,	
	2020	2019	2020	2019
Purchases of other goods and services	336	485	16	68
Sales revenue	8,073	5,920	4,764	4,401
Finance income	41	40	21	20

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18) Related Parties Disclosures (continued)

Transactions with Other Related Parties

Other related parties mostly include entities under common control with the Company.

The following table provides balances with other related parties:

	June 30, 2020	December 31, 2019
Cash and cash equivalents	597	538
Loans issued	3,508	3,708
Trade and other receivables	2,092	1,695
Other prepayments	251	201
Lease liability	647	687
Trade and other payables	613	403

Allowance for expected credit losses in respect of receivables and loans from other related parties amounted to 5,397 as at June 30, 2020 (December 31, 2019: 5,281).

The following table provides the summary of transactions with other related parties:

	Six-month period ended		Three-month period ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Finance costs	35	145	17	34
Purchases of raw materials	51	18,397	19	14,371
Purchases of other goods and services	1,128	717	673	355
Sales revenue	663	2,171	585	213
Finance income	170	198	86	99
Other income	87	92	39	41

19) Contingencies and Commitments

Russian Business Environment

Russia continues to be negatively impacted by sanctions imposed on certain companies and individuals as well as reduced access to international capital markets.

The COVID-19 outbreak has developed rapidly in 2020, with a significant global impact. Measures taken to contain the virus have affected economic activity. Measures to prevent transmission of the virus included limiting the movement of people, restricting flights and other travel, temporarily closing businesses and schools, and cancelling events. As the coronavirus outbreak is still evolving, it is difficult for the Group to estimate the duration and magnitude of the negative impact of these circumstances on its financial position and financial results. Management closely monitors the development of the situation and takes necessary measures to mitigate negative effects.

The future effects of the current economic situation are difficult to predict and current management's expectations and estimates could differ from actual results.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles, unless specified otherwise)

19) Contingencies and Commitments (continued)

Taxation

Tax legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

Contractual Commitments

The Group had contractual commitments for the acquisition of property, plant and equipment from third parties in the amount of 5,085 as at June 30, 2020 (December 31, 2019: 4,668). Contractual commitments were expressed net of VAT.

As at June 30, 2020, the Group had advances of 1,077 with respect to commitments for the acquisition of property, plant and equipment (December 31, 2019: 878). These advances were included in other non-current assets.

Under contractual commitments disclosed above, the Group opened unsecured letters of credit in the amount of 1,045 (December 31, 2019: 1,284).

Insurance Policies

The Group maintains insurance against losses that may arise in case of property and equipment damage (including insurance against fires and certain other natural disasters), business interruption insurance, insurance for transported goods against theft or damage. The Group also maintains corporate product liability, directors and officers liability insurance policies. Nevertheless, any recoveries under maintained insurance coverage that may be obtained in the future may not offset the lost revenues or increased costs resulting from a disruption of operations.

Legal Claims

During the period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. Management believes there are no current legal proceedings or other claims outstanding, which could have a material effect on the results of operations or financial position of the Group.

20) Equity

i) Share Capital

	June 30, 2020	December 31, 2019
Number of shares		
<i>Authorised</i>		
Ordinary shares of 10 Russian roubles each (in thousands)	1,033,135	1,033,135
<i>Issued and fully paid</i>		
Ordinary shares of 10 Russian roubles each (in thousands)	1,033,135	1,033,135

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements Six-month period ended June 30, 2020

(All amounts in millions of Russian roubles, unless specified otherwise)

20) Equity (continued)

ii) Acquisition of Non-controlling Interests in Subsidiaries

In the six-month period ended June 30, 2020, the Group purchased additional shares of TMK-Artrom S.A., “Sinarsky Pipe Plant”, PJSC, “Seversky Pipe Plant”, PJSC and “Taganrog Metallurgical Plant”, PJSC for the total consideration of 885. The difference between the purchase consideration and the carrying amount of non-controlling interest acquired was recorded in additional paid-in capital (if negative) and in retained earnings (if positive).

iii) Dividends Declared by Subsidiaries of the Group to the Non-controlling Interest Owners

During the six-month period ended June 30, 2020, the Group’s subsidiaries declared dividends to the non-controlling interest owners in the amount of 107.

iv) Voluntary Tender Offer to Acquire Ordinary Shares of PAO TMK

In April 2020, the Board of Directors approved a programme to purchase back ordinary shares of PAO TMK and the subsequent cancellation of the listing of the global depositary receipts on the London Stock Exchange following the completion of the programme. The programme to purchase ordinary shares was carried out by “Volzhsky Pipe Plant”, Joint stock company (“VTZ”), a wholly-owned subsidiary of PAO TMK, by way of a voluntary tender offer under Russian law. The voluntary offer was made on May 18, 2020 for 358,758,064 of the issued and outstanding ordinary shares of PAO TMK, which represent all of the issued and outstanding ordinary shares of the Company other than the ordinary shares held by VTZ and other Group companies, TMK Steel Holding Limited (the Parent of the Company) and senior management of the Group companies. The period for acceptance of the voluntary tender offer was 70 days from May 18, 2020 (i.e. from May 19, 2020 until July 27, 2020 (the “Expiration date”), inclusively). The purchase price of ordinary shares was 61 Russian roubles per ordinary share.

As at June 30, 2020, the Group recognised the liability under the voluntary tender offer for the repurchase of ordinary shares of PAO TMK with the corresponding charge to other reserves in the statement of changes in equity in the amount of 21,960 (including transaction costs). The liability was recognised for 358,758,064 ordinary shares of PAO TMK that were eligible to participate in the offer. As a result of the offer that expired in July 2020 the Group acquired 229,958,764 ordinary shares of PAO TMK. The Group will adjust its equity accordingly in the next reporting period.