

PAO TMK

**Unaudited Interim Condensed
Consolidated Financial Statements**

Three-month period ended March 31, 2021

PAO TMK

Unaudited Interim Condensed Consolidated Financial Statements Three-month period ended March 31, 2021

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Report on Review of Interim Financial Information

To the shareholders and Board of Directors of
PAO TMK

Introduction

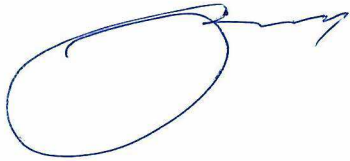
We have reviewed the accompanying interim condensed consolidated financial statements of PAO TMK and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2021, the interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-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

7 June 2021

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 101000, Moscow, Basmanny Municipal District, 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.

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Unaudited Interim Consolidated Income Statement
Three-month period ended March 31, 2021

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

	NOTES	Three-month period ended March 31,			
		2021	2020		
		Continuing operations	Continuing operations	Discontinued operations	Total
Revenue	3	65,061	55,319	-	55,319
Cost of sales	4	(52,580)	(42,465)	-	(42,465)
Gross profit		12,481	12,854	-	12,854
Selling and distribution expenses	5	(6,047)	(5,743)	-	(5,743)
Advertising and promotion expenses		(127)	(73)	-	(73)
General and administrative expenses	6	(4,163)	(3,446)	-	(3,446)
Research and development expenses		(40)	(32)	-	(32)
Other operating income/(expenses)	7	(671)	(570)	-	(570)
Operating profit		1,433	2,990	-	2,990
Impairment of property, plant and equipment		-	(4,257)	-	(4,257)
Impairment of financial investments		(32)	(170)	-	(170)
Foreign exchange gain/(loss)		(2,224)	1,586	-	1,586
Finance costs		(3,744)	(3,612)	-	(3,612)
Finance income		516	376	-	376
Gains/(losses) from associates		(7)	48	-	48
Gain/(loss) on disposal of subsidiaries	9	-	-	26,558	26,558
Other non-operating income/(expenses)		(1,067)	(64)	-	(64)
Profit/(loss) before tax		(5,125)	(3,103)	26,558	23,455
Income tax benefit/(expense)	8,9	278	117	(3,944)	(3,827)
Profit/(loss) for the period		(4,847)	(2,986)	22,614	19,628
Attributable to:					
Equity holders of the parent entity		(4,866)	(2,880)	22,614	19,734
Non-controlling interests		19	(106)	-	(106)
		(4,847)	(2,986)	22,614	19,628
Earnings/(loss) per share (in roubles)		(4.71)	(2.79)	21.93	19.14

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

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Unaudited Interim Consolidated Statement of Comprehensive Income
Three-month period ended March 31, 2021

(All amounts in millions of Russian roubles)

	NOTES	Three-month period ended March 31,	
		2021	2020
Profit/(loss) for the period		(4,847)	19,628
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations to presentation currency ⁽ⁱ⁾		(205)	3,375
Reclassification of foreign currency reserves to the income statement, net of tax ⁽ⁱⁱ⁾		-	(6,022)
Other comprehensive income/(loss) for the period, net of tax		(205)	(2,647)
Total comprehensive income/(loss) for the period, net of tax		(5,052)	16,981
Attributable to:			
Equity holders of the parent entity		(5,069)	17,077
Non-controlling interests		17	(96)
		(5,052)	16,981

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

	Three-month period ended March 31,	
	2021	2020
Exchange differences on translation of foreign operations to presentation currency attributable to:		
Equity holders of the parent entity	(203)	3,365
Non-controlling interests	(2)	10
	(205)	3,375

(ii) The amount was attributable to equity holders of the parent entity.

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

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Unaudited Interim Consolidated Statement of Financial Position
as at March 31, 2021

(All amounts in millions of Russian roubles)

	NOTES	March 31, 2021		December 31, 2020	
ASSETS					
Current assets					
Cash and cash equivalents	10	45,033		73,036	
Trade and other receivables		94,297		71,857	
Inventories	11	90,516		61,805	
Prepayments and input VAT		20,006		16,860	
Prepaid income taxes		1,004		826	
Other financial assets	17	6,611	257,467	6,768	231,152
Non-current assets					
Investments in associates and joint ventures		95		100	
Property, plant and equipment	12	226,542		132,963	
Goodwill	9	47,874		3,067	
Intangible assets	9	21,277		1,354	
Deferred tax asset		13,613		10,696	
Other non-current assets	13	55,064	364,465	39,834	188,014
TOTAL ASSETS			621,932		419,166
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	14	88,081		51,717	
Advances from customers	18	22,625		17,997	
Provisions and accruals	15	10,571		4,716	
Interest-bearing loans and borrowings	16	114,060		74,315	
Lease liability		1,028		824	
Income tax payable		969		222	
Other liabilities	18	6,383	243,717	5,000	154,791
Non-current liabilities					
Interest-bearing loans and borrowings	16	235,698		125,962	
Lease liability		5,221		4,844	
Deferred tax liability		20,652		6,217	
Provisions and accruals		43		42	
Employee benefits liability		1,977		1,560	
Other liabilities	18	47,905	311,496	53,993	192,618
Total liabilities			555,213		347,409
Equity					
Parent shareholders' equity					
Share capital		10,331		10,331	
Additional paid-in capital		14,744		14,744	
Reserve capital		517		517	
Retained earnings		30,795		35,661	
Foreign currency translation reserve		8,225		8,428	
Other reserves		33	64,645	33	69,714
Non-controlling interests			2,074		2,043
Total equity			66,719		71,757
TOTAL LIABILITIES AND EQUITY			621,932		419,166

Certain amounts as at December 31, 2020 were adjusted to reflect the finalisation of the purchase price allocation related to the acquired subsidiaries (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
Three-month period ended March 31, 2021

(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, 2021	10,331	-	14,744	517	35,661	8,428	33	69,714	2,043	71,757
Profit/(loss) for the period	-	-	-	-	(4,866)	-	-	(4,866)	19	(4,847)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	(203)	-	(203)	(2)	(205)
Total comprehensive income/(loss) for the period, net of tax	-	-	-	-	(4,866)	(203)	-	(5,069)	17	(5,052)
Acquisition of subsidiaries (Note 9)	-	-	-	-	-	-	-	-	14	14
At March 31, 2021	10,331	-	14,744	517	30,795	8,225	33	64,645	2,074	66,719

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
Three-month period ended March 31, 2021 (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, 2020	10,331	(109)	14,525	517	14,633	10,706	(56)	50,547	3,048	53,595
Profit/(loss) for the period	-	-	-	-	19,734	-	-	19,734	(106)	19,628
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	(2,657)	-	(2,657)	10	(2,647)
Total comprehensive income/(loss) for the period, net of tax	-	-	-	-	19,734	(2,657)	-	17,077	(96)	16,981
Reclassification of actuarial losses due to disposal of subsidiaries	-	-	-	-	(93)	-	93	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	62	62
Acquisition of non-controlling interests in subsidiaries	-	-	161	-	(12)	-	-	149	(802)	(653)
At March 31, 2020	10,331	(109)	14,686	517	34,262	8,049	37	67,773	2,212	69,985

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

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Unaudited Interim Consolidated Statement of Cash Flows
Three-month period ended March 31, 2021

(All amounts in millions of Russian roubles)

	NOTES	Three-month period ended March 31,	
		2021	2020
Operating activities			
Profit/(loss) before tax		(5,125)	23,455
Adjustments to reconcile profit/(loss) before tax to operating cash flows:			
Depreciation of property, plant and equipment		3,549	2,787
Amortisation of intangible assets		67	72
(Gain)/loss on disposal of property, plant and equipment	7	90	107
Impairment of property, plant and equipment		-	4,257
Impairment of financial investments		32	170
Foreign exchange (gain)/loss		2,224	(1,586)
Finance costs		3,744	3,612
Finance income		(516)	(376)
(Gain)/loss on disposal of subsidiaries	9	-	(26,558)
Other non-operating (income)/expenses		1,067	64
(Gains)/losses from associates		7	(48)
Movement in allowances and provisions		2,089	1,398
Operating cash flows before working capital changes		7,228	7,354
Working capital changes:			
Decrease/(increase) in inventories		(6,788)	(5,816)
Decrease/(increase) in trade and other receivables		(3,145)	(4,098)
Decrease/(increase) in prepayments and input VAT		1,246	(6,135)
Increase/(decrease) in trade and other payables		876	(7,272)
Increase/(decrease) in advances from customers		(5,950)	18,374
Cash generated from/(used in) operations		(6,533)	2,407
Income taxes paid		(916)	(4,162)
Net cash flows from/(used in) operating activities		(7,449)	(1,755)
Investing activities			
Purchase of property, plant and equipment		(2,940)	(3,144)
Purchase of intangible assets		(232)	(54)
Acquisition of subsidiaries, net of cash acquired	9	(57,994)	-
Disposal of subsidiaries, net of cash disposed		-	65,910
Issuance of loans		(14)	(1,100)
Proceeds from repayment of loans issued		3	5
Interest received		142	258
Other cash movements		(16,815)	(15,236)
Net cash flows from/(used in) investing activities		(77,850)	46,639
Financing activities			
Purchase of treasury shares		(171)	-
Proceeds from borrowings		75,970	77,701
Repayment of borrowings		(15,270)	(61,117)
Interest paid		(3,559)	(2,206)
Payment of lease liabilities		(246)	(218)
Acquisition of non-controlling interests		-	(626)
Other cash movements	18	1,000	(8,251)
Net cash flows from/(used in) in financing activities		57,724	5,283
Net increase/(decrease) in cash and cash equivalents		(27,575)	50,167
Net foreign exchange difference		(428)	8,993
Cash and cash equivalents at January 1		73,036	22,124
Cash and cash equivalents at March 31		45,033	81,284

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

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three-month period ended March 31, 2021

(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 three-month period ended March 31, 2021 were authorised for issue in accordance with a resolution of the CEO on June 7, 2021.

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, Basmanny Municipal District, Moscow, the Russian Federation.

The Company’s controlling shareholder is TMK Steel Holding Limited (the “Parent”). 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, 2020. Operating results for the three-month period ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

ii) Foreign Currency Translation

The presentation currency for the purpose of these interim condensed consolidated financial statements of the Group is the Russian rouble. The Russian rouble is the functional currency of PAO TMK and most of its subsidiaries.

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, 2020, 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, 2021, are described below.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
Three-month period ended March 31, 2021

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

2) Significant Accounting Policies (continued)

iii) Application of New and Amended IFRSs (continued)

IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 16 Leases (amendments) – Phase 2 - Interest Rate Benchmark Reform

In August 2020, the IASB completed its work in response to IBOR reform. The Phase 2 amendments address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with an alternative one. The key reliefs provided by the Phase 2 amendments are as follows: i) when changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement; ii) the hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue (however, additional ineffectiveness might need to be recorded). Moreover the amendments require certain additional disclosures to provide information how an entity is managing the transition to risk-free interest rates (RFR). The amendments did not have a significant impact on the Group's financial position or performance.

IFRS 16 Leases (amendments) – COVID-19 Related Rent Concessions

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. Rent concessions might take a variety of forms, including payment holidays and deferral of lease payments. 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 in the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendments did not have any impact on the Group's financial position or performance.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
Three-month period ended March 31, 2021

(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 two reportable segments:

- Russia segment represents the results of operations and financial position of plants located in the Russian Federation and the Czech Republic, a finishing facility in Kazakhstan, oilfield service companies in Russia, traders located in Russia, the United Arab Emirates, the USA and Switzerland.
- 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. In the third quarter 2020, the management changed the approach to the calculation of Adjusted EBITDA. The comparative information in these consolidated financial statements was adjusted accordingly. 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 (except for foreign exchange gain or loss arising on accounts receivable and payable, which is considered to be a part of operations), 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.

Three-month period ended March 31, 2021	Russia	Europe	TOTAL
Revenue	60,863	4,198	65,061
Cost of sales	(48,897)	(3,683)	(52,580)
Gross profit	11,966	515	12,481
Selling, general and administrative expenses	(9,561)	(816)	(10,377)
Other operating income/(expenses)	(645)	(26)	(671)
Operating profit/(loss)	1,760	(327)	1,433
Add back:			
Depreciation and amortisation	3,262	354	3,616
(Gain)/loss on disposal of property, plant and equipment	90	-	90
Movements in allowances and provisions	2,889	(20)	2,869
Foreign exchange gain/(loss) from operations	178	34	212
Other expenses	353	17	370
	6,772	385	7,157
Adjusted EBITDA	8,532	58	8,590

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
Three-month period ended March 31, 2021

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

3) Segment Information (continued)

Three-month period ended March 31, 2020	Russia	Europe	TOTAL
Revenue	52,434	2,885	55,319
Cost of sales	(39,968)	(2,497)	(42,465)
Gross profit	12,466	388	12,854
Selling, general and administrative expenses	(8,463)	(831)	(9,294)
Other operating income/(expenses)	(564)	(6)	(570)
Operating profit/(loss)	3,439	(449)	2,990
Add back:			
Depreciation and amortisation	2,576	283	2,859
(Gain)/loss on disposal of property, plant and equipment	105	2	107
Movements in allowances and provisions	2,252	110	2,362
Foreign exchange gain/(loss) from operations	5,916	19	5,935
Other expenses	406	13	419
	11,255	427	11,682
Adjusted EBITDA	14,694	(22)	14,672

Revenue from external customers for each group of products and services is disclosed below:

Sales to external customers	Seamless pipes	Welded pipes	Other operations	TOTAL
Three-month period ended March 31, 2021	45,394	9,541	10,126	65,061
Three-month period ended March 31, 2020	42,287	9,814	3,218	55,319

The following table presents the breakdown of revenue by geographical area. The information is disclosed based on the location of the customer.

	Russia	CIS	Other countries	TOTAL
Revenue				
Three-month period ended March 31, 2021	51,843	5,825	7,393	65,061
Three-month period ended March 31, 2020	39,556	6,437	9,326	55,319

4) Cost of Sales

	Three-month period ended March 31,	
	2021	2020
Raw materials and consumables	39,134	31,756
Staff costs including social security	6,678	6,026
Energy and utilities	5,247	4,486
Depreciation and amortisation	3,071	2,773
Repairs and maintenance	745	913
Freight	471	377
Professional fees and services	396	305
Import duties	205	126
Taxes	190	181
Contracted manufacture	184	486
Insurance	90	75
Other	82	44
Total production cost	56,493	47,548
Change in own finished goods and work in progress	(5,013)	(5,683)
Cost of sales of externally purchased goods	622	297
Obsolete stock, write-offs/(reversal of allowances)	478	303
Cost of sales	52,580	42,465

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements
Three-month period ended March 31, 2021

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

5) Selling and Distribution Expenses

	Three-month period ended March 31,	
	2021	2020
Freight	2,133	2,184
Impairment of receivables, write-offs	2,225	1,981
Staff costs including social security	825	624
Consumables	401	360
Professional fees and services	315	316
Import duties	29	145
Depreciation and amortisation	28	23
Insurance	18	27
Utilities and maintenance	27	25
Other	46	58
	6,047	5,743

6) General and Administrative Expenses

	Three-month period ended March 31,	
	2021	2020
Staff costs including social security	2,349	2,064
Professional fees and services	892	619
Depreciation and amortisation	385	288
Utilities and maintenance	250	211
Transportation	75	83
Taxes	54	37
Consumables	40	34
Travel	36	49
Rent	14	16
Other	68	45
	4,163	3,446

7) Other Operating Income and Expenses

	Three-month period ended March 31,	
	2021	2020
Social and social infrastructure maintenance expenses	197	252
Sponsorship and charitable donations	173	167
Taxes and penalties	197	133
(Gain)/loss on disposal of property, plant and equipment	90	107
Other (income)/expenses	14	(89)
	671	570

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three-month period ended March 31, 2021

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

8) Income Tax

	Three-month period ended March 31,			
	2021	2020		
	Continuing operations	Continuing operations	Discontinued operations	Total
Current income tax	372	1,732	2,223	3,955
Adjustments in respect of income tax of previous periods	37	27	-	27
Deferred tax related to origination and reversal of temporary differences	(687)	(1,876)	1,721	(155)
	(278)	(117)	3,944	3,827

9) Acquisition of Subsidiaries

Acquisition of PJSC ChelPipe

On March 15, 2021, the Group acquired 86.54% ownership interest in PJSC ChelPipe and its subsidiaries (“ChelPipe”) for cash consideration of 70,086. According to the agreement, the final purchase price is subject to a contractual true-up adjustments based on actual amounts of working capital and indebtedness as of the acquisition date. The final purchase consideration was not determined prior to the date of the issuance of these consolidated financial statements.

In addition, according to the Russian legislation, on April 16, 2021, the Group made a mandatory offer to the non-controlling shareholders of ChelPipe to acquire the remaining 13.46% ownership interest. The offer expires on June 25, 2021, inclusively. The purchase price of ordinary shares under the offer is 318.26 Russian roubles per ordinary share. The Group recognised the liability under the mandatory tender offer in the amount of 13,091.

The results of operations and financial position of ChelPipe were included in the Group’s consolidated financial statements from the acquisition date. The acquired business contributed revenue in the amount of 5,333 and loss after tax in the amount of 342 to the Group’s results for the period from the acquisition date till March 31, 2021. Acquisition - related costs amounted to 904. The application of the purchase method to business combination requires allocation of fair value of consideration to identifiable assets and liabilities based on their fair values and determination of goodwill. This acquisition was accounted for based on provisional fair values of identifiable assets and liabilities of ChelPipe as the Group has not completed the allocation of the purchase consideration as at the date of the issuance of these consolidated financial statements. Under IFRS 3, “Business Combinations”, the Group has 12 months from the date of acquisition to complete the accounting for the acquisition and make adjustments to the allocation of the purchase consideration, if necessary.

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9) Acquisition of Subsidiaries (continued)

Acquisition of PJSC ChelPipe (continued)

The provisional fair values of assets and liabilities, purchase consideration and non-controlling interests were preliminary assessed as follows:

	March 15, 2021
Cash and cash equivalents *	12,092
Trade and other receivables	22,235
Inventories	22,419
Property, plant and equipment	95,557
Intangible assets	19,841
Deferred tax assets	2,842
Other assets	3,863
Total assets	178,849
Trade and other payables	22,749
Interest-bearing loans and borrowings	87,528
Provisions and accruals	6,767
Deferred tax liabilities	14,981
Other liabilities	8,440
Total liabilities	140,465
Total identifiable net assets	38,384
Non-controlling interests	14
Goodwill	44,807
Purchase consideration	70,086
Purchase consideration under mandatory offer	13,091
Total purchase consideration	83,177

* Cash and cash equivalents include cash on special accounts in the amount of 2,326 which can be used in operating activities as the Russian Federation legislation conditions are fulfilled (March 31, 2021: 2,354).

The carrying amount of trade and other receivables was 24,467 as at the acquisition date.

The recognized goodwill represents a synergy from the deal which expected to be realised from optimizing capacity utilization and logistics costs, expanding the range of products and increasing the operational efficiency of the Group's business. The goodwill is allocated to the Russia operating segment.

Acquisition of TMK-YMZ (former-Parus, LLC)

In October 2020, as part of its long-term strategy to diversify the product and service portfolio, the Group acquired 100% ownership interest in a casting and rolling complex, located in Yartsevo, Smolensk Region, TMK-YMZ. The complex has a production capacity of more than 300 thousand tonnes of rolled steel per year. As of the date of publication of consolidated financial statements for the year ended December 31, 2020, the purchase price allocation had not been finalised and the fair values of assets and liabilities at the date of acquisition were accounted on provisional basis. The valuation of assets and liabilities was completed in the first quarter of 2021 and the acquisition date fair value of the property, plant and equipment increased by 228 with the corresponding increase of deferred tax liability in the amount of 45 and decrease of goodwill in the amount of 183.

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9) Acquisition of Subsidiaries (continued)

Acquisition of TMK-YMZ (former-Parus, LLC) (continued)

The fair values of assets acquired, liabilities assumed and purchase consideration were as follows at the acquisition date:

	October 8, 2020
Cash and cash equivalents	1,062
Trade and other receivables	26
Inventories	1,357
Prepayments and input VAT	235
Property, plant and equipment	15,533
Total assets	18,213
Trade and other payables	2,295
Deferred tax liability	2,902
Total liabilities	5,197
Total identifiable net assets	13,016
Goodwill	1,984
Purchase consideration	15,000

Goodwill arisen on the acquisition related to the expected synergy from integration of the acquired business into the Russia operating segment of the Group.

Acquisition of Truby 2000, LLC

In October 2020, the Group acquired control in enterprises being a part of Truby 2000, LLC, one of the Russian leading manufacturers of pipeline systems for the nuclear industry, for the purchase price of 400. The acquisition will enable the expansion of the Group's partnership with the state corporation Rosatom and accelerate further development of TMK's expertise in the segment of equipment for nuclear stations. The valuation of assets and liabilities was completed in the first quarter of 2021. The fair value of acquiree's assets and liabilities was 1,414 and 1,014, respectively. The non-controlling interest value amounted to 42 and goodwill from the acquisition amounted to 42.

Sale of IPSCO

On January 2, 2020, the Group completed the sale of its American subsidiary IPSCO to Tenaris for 63,437. 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 gain on sale of IPSCO recorded in the income statement for the three-month period ended March 31, 2020 amounted to 22,614 (net of income tax in the amount of 3,944). The result was based on the estimated selling price and was not finalised prior to the date of the issuance of the consolidated financial statements. The final gain from disposal of IPSCO recognised in 2020 amounted to 20,463 (net of income tax in the amount of 3,407).

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10) Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

	March 31, 2021	December 31, 2020
Russian rouble	31,619	11,274
US dollar	5,493	27,584
Euro	7,813	33,907
Romanian lei	39	107
Other currencies	69	164
	45,033	73,036

The above cash and cash equivalents consisted primarily of cash at banks. As at March 31, 2021, the restricted cash amounted to 536 (December 31, 2020: 176).

11) Inventories

	March 31, 2021	December 31, 2020
Finished goods	25,190	15,527
Work in progress	32,146	23,450
Raw materials and supplies	35,427	24,798
	92,763	63,775
Allowance for net realisable value of inventory	(2,247)	(1,970)
	90,516	61,805

12) Property, Plant and Equipment

Movement in property, plant and equipment in the three-month period ended March 31, 2021 was as follows:

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Other	Construc- tion in progress	TOTAL
Cost							
Balance at January 1, 2021	77,037	152,845	5,255	4,297	532	9,128	249,094
Additions	-	-	-	-	-	2,177	2,177
Assets put into operation	711	1,803	32	141	20	(2,707)	-
Disposals	(31)	(377)	(2)	(10)	(2)	(74)	(496)
Increase due to acquisition of subsidiaries	56,396	35,238	32	3	1,865	2,023	95,557
Reclassifications	(3)	(35)	33	5	-	-	-
Currency translation adjustments	(206)	(611)	(52)	(8)	2	(9)	(884)
Balance at March 31, 2021	133,904	188,863	5,298	4,428	2,417	10,538	345,448
Accumulated depreciation and impairment							
Balance at January 1, 2021	(17,833)	(93,272)	(2,214)	(2,681)	(131)	-	(116,131)
Depreciation charge	(643)	(2,675)	(125)	(111)	(27)	-	(3,581)
Disposals	9	327	2	10	1	-	349
Currency translation adjustments	75	354	24	5	(1)	-	457
Balance at March 31, 2021	(18,392)	(95,266)	(2,313)	(2,777)	(158)	-	(118,906)
Net book value at March 31, 2021	115,512	93,597	2,985	1,651	2,259	10,538	226,542
Net book value at January 1, 2021	59,204	59,573	3,041	1,616	401	9,128	132,963

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13) Other Non-Current Assets

	March 31, 2021	December 31, 2020
Trade and other receivables (Note 19)	16,998	16,768
Promissory notes (Note 17)	25,737	10,821
Equity instruments at FVOCI	668	614
Restricted cash deposits for fulfillment of guaranties	431	480
Loans issued	701	178
Other financial assets	30	32
Total financial assets	44,565	28,893
Prepayments for acquisition of property, plant and equipment	1,176	737
Other non-current assets	9,329	10,213
Total non-financial assets	10,505	10,950
Allowance for impairment	(6)	(9)
	55,064	39,834

14) Trade and Other Payables

	March 31, 2021	December 31, 2020
Trade payables	52,710	30,059
Liabilities for acquisition of non-controlling interests in subsidiaries (Note 9)	13,406	476
Liabilities for VAT	11,783	13,365
Accounts payable for property, plant and equipment	3,711	4,502
Payroll liabilities	1,625	1,051
Accrued and withheld taxes on payroll	1,551	922
Liabilities for property tax	517	191
Dividends payable	112	9
Other payables	2,666	1,142
	88,081	51,717

15) Provisions and Accruals

	March 31, 2021	December 31, 2020
Current		
Provision for bonuses	1,118	1,685
Accrual for unused annual leaves	2,396	1,284
Current portion of employee benefits liability	144	118
Provisions for claims, legal costs and taxes	6,913	1,629
	10,571	4,716

16) Interest-Bearing Loans and Borrowings

	March 31, 2021	December 31, 2020
Current		
Bank loans	40,685	31,408
Interest payable	2,243	1,202
Current portion of non-current borrowings	42,122	27,512
Current portion of bearer coupon debt securities	29,112	14,212
Unamortised debt issue costs	(102)	(19)
	114,060	74,315
Non-current		
Bank loans	116,071	74,558
Bearer coupon debt securities	120,562	51,938
Unamortised debt issue costs	(935)	(534)
	235,698	125,962

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16) Interest-Bearing Loans and Borrowings (continued)

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

	March 31, 2021	December 31, 2020
Russian rouble	276,513	150,319
US dollar	62,189	39,493
Euro	11,056	10,465
	349,758	200,277

Unutilised Borrowing Facilities

As at March 31, 2021, the Group had unutilised borrowing facilities in the amount of 117,152.

17) 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:

	March 31, 2021		December 31, 2020	
	Nominal value	Fair value	Nominal value	Fair value
Financial liabilities				
Long-term loans	123,291	121,279	76,700	75,853
4.5 per cent loan participation notes	22,711	23,537	-	-
4.3 per cent loan participation notes	37,851	38,164	36,938	36,940
Russian bonds	89,112	89,649	29,212	29,832

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 March 31, 2021, the 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 5,781 and 25,737, respectively. The carrying amount of the promissory notes approximates their fair value.

18) Advances from Customers and Other Liabilities

The Group transferred some of its intercompany debts in exchange for cash under factoring arrangements. In the three-month period ended March 31, 2021, the net cash inflows from these transactions amounted to 1,000 (three-month period ended March 31, 2020: net cash outflows of 8,251). As at March 31, 2021, the liability in the amount of 6,010 in respect of these transactions was included in other current liabilities. As at December 31, 2020, the liability amounted to 5,000.

Other non-current liabilities as at March 31, 2021 included long-term advances from customers in the amount of 46,914 (December 31, 2020: 53,846). The current advances from customers amounted to 22,625 as at March 31, 2021 (December 31, 2020: 17,997). The advances are presented with VAT. As at March 31, 2021, VAT included in long-term advances amounted to 7,819 and in current advances amounted to 3,246 (December 31, 2020: 8,975 and 3,005, respectively).

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19) 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 355 (three-month period ended March 31, 2020: 717).
- Provision for performance bonuses in the amount of 208 (three-month period ended March 31, 2020: 79).

The amounts disclosed above were recognised as general and administrative expenses in the income statement for the three-month period ended March 31, 2021 and 2020.

Transactions with the Parent of the Company

In December 2020, the Group signed the Share purchase agreement with the Parent of the Company for the sale of 261,595,881 treasury shares of PAO TMK for 16,509. The ownership to the shares was transferred to the Buyer on December 2, 2020. Accounts receivable under this agreement amounted to 16,862 as at March 31, 2021. Receivables are due for payment not later than December 30, 2022. Any related outstanding liability bears interest at 6.5%.

Transactions with Associates and Joint Ventures

The following table provides balances with associates and joint ventures:

	March 31, 2021	December 31, 2020
Loans issued	1,308	1,252
Trade and other receivables	13,022	13,716
Trade and other payables	75	74

The Group guaranteed debts of associates and joint ventures outstanding as at March 31, 2021 in the amount of 4,176 (December 31, 2020: 4,142).

Allowance for expected credit losses in respect of receivables and loans from associates and joint ventures amounted to 604 as at March 31, 2021 (December 31, 2020: 603).

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

	Three-month period ended March 31,	
	2021	2020
Purchases of other goods and services	1	315
Sales revenue	6	3,309
Finance income	20	20

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19) 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:

	March 31, 2021	December 31, 2020
Cash and cash equivalents	982	2,507
Loans issued	2,515	2,474
Trade and other receivables	7,223	6,559
Other prepayments	1,656	651
Lease liability	578	603
Trade and other payables	499	745

Allowance for expected credit losses in respect of receivables and loans from other related parties amounted to 5,839 as at March 31, 2021 (December 31, 2020: 5,744).

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

	Three-month period ended March 31,	
	2021	2020
Finance costs	11	18
Purchases of raw materials	224	32
Purchases of other goods and services	434	460
Sales revenue	1,090	78
Finance income	53	84
Other income	58	48

20) Contingencies and Commitments

Russian Business Environment

Since the first quarter 2020, the outbreak of coronavirus infection COVID-19 has been evolving and many countries, including the Russian Federation, have imposed restrictive quarantine measures that have resulted in a significant decline in business activity of market participants. Both the outbreak of coronavirus infection itself and measures taken to minimize its consequences affect the activities of companies in various industries. 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 results of operations.

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.

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.

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20) Contingencies and Commitments (continued)

Contractual Commitments

The Group had contractual commitments for the acquisition of property, plant and equipment from third parties in the amount of 7,211 as at March 31, 2021 (December 31, 2020: 5,520). Contractual commitments were expressed net of VAT.

As at March 31, 2021, the Group had unsecured letters of credit in the amount of 1,556 (December 31, 2020: 1,291) for the acquisition of property, plant and equipment.

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.

21) Equity

i) Share Capital

	March 31, 2021	December 31, 2020
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

22) Subsequent Events

Dividends Declared by the Company to its Shareholders

On April 15, 2021, the general shareholders' meeting approved dividends for 2020 year in the amount of 9,990 or 9.67 Russian roubles per share.