

Report on Review of Interim Financial Information
Public Joint Stock Company "Chelyabinsk Pipe Plant"
for the six-month period ended 30 June 2021

August 2021

**Report on Review of Interim Financial Information
Public Joint Stock Company "Chelyabinsk Pipe Plant"**

Contents	Page
Report on Review of Interim Financial Information	3
Appendices	
Statement of management's responsibilities for the preparation and approval of the interim condensed consolidated financial statements	5
Interim condensed consolidated statement of comprehensive income (unaudited)	6
Interim condensed consolidated statement of financial position (unaudited)	7
Interim condensed consolidated statement of cash flows (unaudited)	8
Interim condensed consolidated statement of changes in equity (unaudited)	9
Notes to unaudited interim condensed consolidated financial statements	
1. General information	10
2. Basis of preparation of the interim condensed consolidated financial statements and significant accounting policies	10
3. Subsidiaries	14
4. Discontinued operations	15
5. Segment reporting	17
6. Dividends	19
7. Revenue	19
8. Income tax	19
9. Inventories	19
10. Cash and cash equivalents	20
11. Borrowings	20
12. Advances from customers and other liabilities	21
13. Provisions	21
14. Balances and transactions with related parties	21
15. Operating environment and capital expenditure commitments	23
16. Fair value measurements	24
17. Events after the reporting period	24

Report on Review of Interim Financial Information

To the shareholders and Board of Directors of
Public Joint Stock Company “Chelyabinsk Pipe Plant”

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint Stock Company “Chelyabinsk Pipe Plant” and its subsidiaries, which comprise the interim condensed consolidated statement of comprehensive income for the six-month periods ended 30 June 2021, the interim consolidated statement of financial position as at 30 June 2021, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six-month periods then ended, and selected explanatory notes (interim financial information). Management of Public Joint Stock Company “Chelyabinsk Pipe Plant” 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*.

Other matter

The consolidated financial statements of Public Joint Stock Company "Chelyabinsk Pipe Plant" and its subsidiaries for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 17 February 2021.

The interim condensed consolidated financial statements of Public Joint Stock Company "Chelyabinsk Pipe Plant" and its subsidiaries for the six-month period ended 30 June 2020 were reviewed by another auditor who issued a review report with an unmodified conclusion on those statements on 10 August 2020.



D.M. Zhigulin
Partner
Ernst & Young LLC

30 August 2021

Details of the entity

Name: Public Joint Stock Company "Chelyabinsk Pipe Plant"
Registered on 21 October 1992. Record made in the State Register of Legal Entities on 19 July 2002, State Registration Number 1027402694186.
Address: 454129, Russia, Chelyabinsk, 21 Mashinostroiteley str.

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.

PJSC "CHELYABINSK PIPE PLANT"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company Chelyabinsk Pipe Plant (the "Company") and its subsidiaries (the "Group") at 30 June 2021, and the consolidated results of its operations, cash flows and changes in equity for the six months then ended, in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34").

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

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

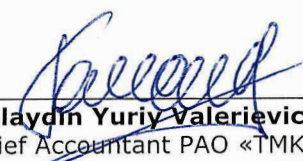
Management is also responsible for:

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

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 were approved by management:



Tazetdinov Valentin Irekleevich
Managing Director PJSC «Chelpipe»



Galaydin Yuriy Valerievich
Chief Accountant PAO «TMK»
(management company of PJSC «Chelpipe»,
acting as a sole executive body)

30 August 2021

PJSC "CHELYABINSK PIPE PLANT"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021 (unaudited)

(millions of Russian Roubles, unless otherwise stated)

	Notes	Six months ended 30 June	
		2021	2020 (restated*)
Continuing operations			
Revenue	7	71,363	64,929
Cost of sales		(56,069)	(44,948)
Gross profit		15,294	19,981
Distribution costs		(4,946)	(3,783)
General and administrative expenses	13	(10,351)	(5,911)
(Loss)/gain on disposal of property, plant and equipment and intangible assets		(163)	358
Other operating expenses		(86)	(3)
Operating (loss)/profit		(252)	10,642
Impairment of property, plant and equipment and intangible assets		(242)	(192)
Reversal of impairment/(impairment) of financial investments	14	1,017	(70)
Finance income		359	196
Finance costs		(3,223)	(4,006)
Gain on disposal of other financial assets	14	344	-
Gain on disposal of associates	14	249	-
Foreign exchange loss, net		(610)	(1,809)
Other non-operating income		5	-
(Loss)/profit before income tax from continuing operations		(2,353)	4,761
Income tax	8	(1,309)	(928)
(Loss)/profit for the period from continuing operations		(3,662)	3,833
(Loss)/profit after income tax from discontinued operations	4	(1,443)	647
(Loss)/profit for the period		(5,105)	4,480
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss, net of tax:</i>			
Remeasurement gain/(loss) on defined benefit plans		49	(61)
Revaluation of financial instruments		88	(210)
<i>Items that may be reclassified subsequently to profit or loss, net of tax:</i>			
Exchange rate (loss)/income on translating of foreign operations		(68)	248
Other comprehensive income/(loss) for the period, net of tax		69	(23)
Total comprehensive (loss)/income for the period, net of tax		(5,036)	4,457
(Loss)/profit for the period attributable to:			
Owners of the Company		(5,104)	4,473
Non-controlling interests		(1)	7
		(5,105)	4,480
Total comprehensive (loss)/income for the period, net of tax, attributable to:			
Owners of the Company		(5,035)	4,450
Non-controlling interests		(1)	7
		(5,036)	4,457
(Loss)/earnings per share attributable to owners of the Company, basic and diluted (Russian Roubles per share)		(16.70)	14.64
(Loss)/earnings per share from continuing operations attributable to owners of the Company, basic and diluted (Russian Roubles per share)		(11.98)	12.54

* Changes are disclosed in notes 2 and 4 of these interim condensed consolidated financial statements.

PJSC "CHELYABINSK PIPE PLANT"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (unaudited)

(millions of Russian Roubles, unless otherwise stated)

	Notes	30 June 2021	31 December 2020 (restated*)
Assets			
Non-current assets			
Property, plant and equipment		34,012	44,964
Intangible assets		4,629	5,777
Advances for capital construction and intangible assets		436	692
Right-of-use assets		488	1,388
Goodwill		6,301	7,020
Deferred tax assets		2,153	2,246
Loans receivable	14	16,100	787
Trade and other receivables		134	4
Other non-current assets		101	132
Other financial assets	14	-	3,215
Total non-current assets		64,354	66,225
Current assets			
Inventories	9	27,818	26,332
Trade and other receivables		32,299	23,248
Advances and prepayments		1,770	1,759
Current income tax prepayment		805	493
Loans receivable		-	5,377
Cash and cash equivalents	10	6,914	8,166
Total current assets		69,606	65,375
Total assets		133,960	131,600
Equity and liabilities			
Share capital		1,616	1,616
Legal reserve		46	46
Translation reserve		2,344	2,412
Actuarial gains reserve		248	310
(Accumulated losses)/Retained earnings		(1,772)	3,133
Equity attributable to owners of the Company		2,482	7,517
Non-controlling interests		-	100
Total equity		2,482	7,617
Non-current liabilities			
Borrowings	11	69,226	77,552
Deferred revenue		230	251
Retirement benefit obligations		464	516
Deferred tax liabilities		235	572
Other liabilities		622	691
Total non-current liabilities		70,777	79,582
Current liabilities			
Borrowings	11	17,391	9,879
Accounts payable and accrued expenses		23,570	26,870
Advances from customers	12	7,904	2,609
Provisions	13	5,245	631
Income tax payable		583	925
Other taxes payable		3,514	3,432
Retirement benefit obligations		29	29
Other liabilities	12	2,465	26
Total current liabilities		60,701	44,401
Total liabilities		131,478	123,983
Total equity and liabilities		133,960	131,600

* Changes are disclosed in note 2 of these interim condensed consolidated financial statements.

PJSC "CHELYABINSK PIPE PLANT"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (unaudited)

(millions of Russian Roubles, unless otherwise stated)

	Notes	Six months ended 30 June	
		2021	2020 (restated*)
Operating activities			
(Loss)/profit before income tax from continuing operations		(2,353)	4,761
(Loss)/profit before income tax from discontinued operations	4	(1,435)	781
<i>Adjustments for:</i>			
Depreciation and amortisation		2,887	4,175
Changes in pension and payroll accruals		(223)	(2)
Changes in allowance for net realisable value of inventories	9	1,290	(86)
Impairment of property, plant and equipment and intangible assets		239	192
(Reversal of impairment)/impairment of financial investments	14	(1,017)	3
Changes in allowance for impairment of advances and prepayments		586	67
Changes in provisions for expected credit losses on trade and other receivables		215	275
Movements in other allowances and provisions		4,858	11
Loss/(gain) on disposals of property, plant and equipment and intangible assets		153	(368)
Gain on disposal of associates	14	(249)	-
Loss on disposal of subsidiaries	4	1,373	-
Gain on disposal of other financial assets	14	(344)	-
Finance income		(365)	(199)
Finance costs		3,257	4,113
Foreign exchange loss, net		613	1,794
Other non-operating income		(17)	-
Other non-cash movements		(4)	(2)
Operating cash flows before working capital changes		9,464	15,515
Movements in working capital			
(Increase)/decrease in accounts receivable and prepayments		(10,926)	8,490
(Increase)/decrease in inventories		(7,281)	133
Increase/(decrease) in trade and other payables		7,882	(17,146)
Cash (used in) / generated from operations		(861)	6,992
Income tax paid		(2,455)	(1,897)
Interest received		1,182	239
Interest paid		(2,995)	(4,000)
Net cash (used in) / generated from operations		(5,129)	1,334
Investing activities			
Purchase of property, plant and equipment		(1,033)	(2,967)
Purchase of intangible assets		(81)	(145)
Proceeds from sale of property, plant and equipment		2,056	33
Loans given		(16,293)	(57)
Proceeds from loans repaid		6,636	51
Net cash received from disposal of subsidiaries	4	8,620	-
Settlement of derivatives		(2,653)	-
Disposal of other financial assets	14	3,514	-
Disposal of associates	14	249	-
Net cash generated from / (used in) investing activities		1,015	(3,085)
Financing activities			
Proceeds from borrowings		35,253	46,920
Repayment of borrowings		(32,648)	(38,469)
Payment of lease obligations		(137)	(467)
Dividends paid		(1,991)	(2,984)
Other cash movements	12	2,424	(61)
Net cash generated from financing activities		2,901	4,939
Effect of exchange rate changes on cash and cash equivalents held in a foreign currency		(39)	1,248
Net (decrease)/increase in cash and cash equivalents		(1,252)	4,436
Cash and cash equivalents at the beginning of the period	10	8,166	21,112
Cash and cash equivalents at the end of the period	10	6,914	25,548
Cash and cash equivalents at the end of the period attributable to:			
Continuing operations		6,914	25,214
Discontinued operations		-	334

* Changes are disclosed in notes 2 and 4 of these interim condensed consolidated financial statements.

PJSC "CHELYABINSK PIPE PLANT"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021 (unaudited)

(millions of Russian Roubles, unless otherwise stated)

	Equity attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Legal reserve	Translation reserve	Actuarial gains reserve	Retained earnings / (accumulated losses)			
Balance at 1 January 2020	1,616	46	1,623	307	2,060	5,652	96	5,748
Adjustment of additional payments on retirement obligations (Note 2)	-	-	-	-	(358)	(358)	-	(358)
Adjusted balance at 1 January 2020	1,616	46	1,623	307	1,702	5,294	96	5,390
Profit for the period	-	-	-	-	4,473	4,473	7	4,480
Other comprehensive (loss)/income	-	-	248	(61)	(210)	(23)	-	(23)
Total comprehensive (loss)/income for the period	-	-	248	(61)	4,263	4,450	7	4,457
Dividends (Note 5)	-	-	-	-	(2,501)	(2,501)	-	(2,501)
Other	-	-	-	-	23	23	-	23
Adjusted balance at 30 June 2020	1,616	46	1,871	246	3,487	7,266	103	7,369
Balance at 1 January 2021	1,616	46	2,412	310	3,491	7,875	100	7,975
Adjustment of additional payments on retirement obligations (Note 2)	-	-	-	-	(358)	(358)	-	(358)
Adjusted balance at 1 January 2021	1,616	46	2,412	310	3,133	7,517	100	7,617
Profit for the period	-	-	-	-	(5,104)	(5,104)	(1)	(5,105)
Other comprehensive income/(loss)	-	-	(68)	49	88	69	-	69
Total comprehensive income/(loss) for the period	-	-	(68)	49	(5,016)	(5,035)	(1)	(5,036)
Disposals of non-controlling interests (Note 4)	-	-	-	-	-	-	(99)	(99)
Reclassification of actuarial losses due to disposal of subsidiaries (Note 4)	-	-	-	(111)	111	-	-	-
Balance at 30 June 2021	1,616	46	2,344	248	(1,772)	2,482	-	2,482

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

1. GENERAL INFORMATION

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

From 15 March 2021 the immediate parent of the Company is PAO "TMK", which owns 86.5440% of the Company's issued share capital. At 30 June 2021, D.A. Pumpyanskiy is the ultimate controlling party of the Group.

The Group has four reportable segments, namely steel pipe production ("SPP"), oilfield services ("OFS"), trunk pipeline systems ("TPS") and scrap procurement ("Scrap"). For more detailed description of activity of each segment refer to Note 5. The Group's principal activities include the production and distribution of pipes and pipe products for the oil and gas industry, housing and utilities infrastructure and industrial applications. The Group is one of the largest pipe producers in Russia holding significant domestic market share in stainless seamless pipes and large diameter pipes.

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

Statement of compliance

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

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the information contained in its audited annual consolidated financial statements for 2020 prepared in accordance with IFRS.

The same accounting policies, presentation and methods of computation are followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for 2020, except for the impact of the adoption of the Standards and Interpretations described below.

Going concern

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

Changes in comparative information

In preparation of these interim condensed consolidated financial statements for the six months ended 30 June 2021, the Group identified that constructive obligations on additional payments made to retired employees were not recognized previously. The Group considers such payments as constructive obligations and intends to continue paying such benefits in the future.

The Group recognised liability on such benefits retrospectively as a part of defined benefit obligation. This change resulted in reduction in retained earnings attributable to equity holders of the parent, and increase in post-employment benefits liability in the amount of 358 respectively.

During the six months ended 30 June 2021, the Group made certain reclassifications to these interim condensed consolidated financial statements to better reflect the nature of costs and in order to make financial information more transparent for users.

The comparative information in these interim condensed consolidated financial statements was adjusted according to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

In the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 the Group:

- (1) reclassified changes in expected credit losses on trade and other receivables and allowance for impairment of advances and prepayments from impairment of assets to distribution costs in the amount of 342;
- (2) reclassified changes in impairment of property, plant and equipment and intangible assets, goodwill, financial investments (including loans receivable, interest receivable and investments in associates and other equity instruments) in the total amount of 195, from impairment of assets, previously included into operating profit, to separate lines depending on the type of assets, which are not included into operating profit;
- (3) identified in the statement of comprehensive income other operating expenses, in the amount of 6, in order to separate the operations, which do not refer by economic substance to existing lines of the statement of comprehensive income.

In the interim condensed consolidated statement of financial position at 31 December 2020 the Group:

- (4) reclassified interest payable from accounts payable and accrued expenses to borrowings amounted to 579, and other financial liabilities from borrowings to other current liabilities amounted to 26; reclassified interest receivable from trade and other receivables to loans receivable in the amount of 178 and 61 within non-current and current assets respectively;
- (5) identified provisions to separate from accounts payable and accrued expenses in the amount of 631, and identified advances and prepayments to separate from trade and other receivables in the amount of 1,759;
- (6) reclassified a long-term portion of investment tax credit from non-current accounts payable and accrued expenses to other non-current liabilities in the amount of 660; long-term interest on investment tax credit from current accounts payable and accrued expenses to other non-current liabilities in the amount of 25; and other liabilities from non-current borrowings to other non-current liabilities in the amount of 6;
- (7) reclassified a short-term portion of investment tax credit from accounts payable and accrued expenses to income tax payable in the amount of 358.

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

The effect of restatement of comparative information on the interim condensed consolidated statement of financial position at 31 December 2020 is set out below.

	Com- ment	31 December 2020 (as previously reported)	Effect of revaluation of additional payments on retirement obligations	Reclassifi- cations	31 December 2020 (restated)
Assets					
Non-current assets					
Loans receivable	(4)	609	-	178	787
Trade and other receivables	(4)	182	-	(178)	4
Total non-current assets		66,225	-	-	66,225
Current assets					
Loans receivable	(4)	5,316	-	61	5,377
Advances and prepayments	(5)	-	-	1,759	1,759
Trade and other receivables	(4),(5)	25,068	-	(1,820)	23,248
Total current assets		65,375	-	-	65,375
Total assets		131,600	-	-	131,600
Equity and liabilities					
Retained earnings		3,491	(358)	-	3,133
Equity attributable to owners of the Company					
Total equity		7,875	(358)	-	7,517
Non-current liabilities					
Borrowings	(4),(6)	77,558	-	(6)	77,552
Accounts payable and accrued expenses	(4),(5), (6)	660	-	(660)	-
Retirement benefit obligations		187	329	-	516
Other liabilities	(6)	-	-	691	691
Total non-current liabilities		79,228	329	25	79,582
Current liabilities					
Borrowings	(4)	9,326	-	553	9,879
Accounts payable and accrued expenses	(4),(5), (6),(7)	28,463	-	(1,593)	26,870
Provisions	(5)	-	-	631	631
Income tax payable	(7)	567	-	358	925
Retirement benefit obligations		-	29	-	29
Other liabilities	(4),(6)	-	-	26	26
Total current liabilities		44,397	29	(25)	44,401
Total liabilities		123,625	358	-	123,983
Total equity and liabilities		131,600	-	-	131,600

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

The effect of restatement of comparative information on the interim condensed consolidated statement of comprehensive income before presentation of discontinued operations (note 4) for the six months ended 30 June 2020 is set out below.

	Com- ment	Six months ended 30 June 2020 (as previously reported)	Reclassifications	Six months ended 30 June 2020 (restated)
Gross profit		21,669	-	21,669
Distribution costs	(1)	(3,621)	(342)	(3,963)
Impairment of assets	(1),(2)	(543)	543	-
Other operating expenses	(3)	-	(6)	(6)
Operating profit		11,250	195	11,445
Impairment of property, plant and equipment and intangible assets	(2)	-	(192)	(192)
Impairment of financial investments	(2)	-	(3)	(3)
Profit before income tax		5,542	-	5,542
Income tax		(1,062)	-	(1,062)
Profit for the period		4,480	-	4,480

Adjustments did not have an impact on earnings per share attributable to owners of the Company, basic and diluted. Adjustments did not have an impact on other comprehensive income for the period, or the Group's operating, investing and financing cash flows.

All the disclosure amounts within the comparative information of these interim condensed consolidated financial statements were changed respectively.

Application of new and revised International Financial Reporting Standards

The nature and the impact of the adoption of new and amended standards, which became effective on 1 January 2021, are described below.

- *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).

- *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.

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

The first time application of the aforementioned amendments to standards and interpretations from 1 January 2021 had no material effect on the interim condensed consolidated financial statements of the Group.

Exchange rates

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

	30 June 2021	31 December 2020
Exchange rates at the end of the period (Russian Roubles)		
1 U.S. Dollar	72.3723	73.8757
1 Euro	86.2026	90.6824
1 Czech Koruna	3.3839	3.4567
	Six months ended 30 June	
	2021	2020
Average exchange rates for the period (Russian Roubles)		
1 U.S. Dollar	74.2781	69.3714
1 Euro	89.5471	76.4417
1 Czech Koruna	3.4612	2.9015

3. SUBSIDIARIES

Principal subsidiaries included into consolidated financial statements of the Company and the Company's effective ownership interest of principal subsidiaries are as follows:

Subsidiary	Country of incorporation	Activities	Operating segment	30 June 2021	31 December 2020
JSC Pervouralsk Pipe Plant	Russia	Pipe manufacturing	SPP	100.00%	100.00%
JSC Uraltrubostal Trade House	Russia	Pipe distribution	SPP	100.00%	100.00%
Chelpipe Finance DAC ¹	Ireland	Structured entity	-	-	-
JSC CHTPZ Group	Russia	Holder of intangible assets	SPP	100.00%	100.00%
LLC Meta	Russia	Scrap procurement	Scrap	100.00%	100.00%
LLC Meta-Invest	Russia	Rent of property	Scrap	100.00%	100.00%
JSC Pipeline Bends	Russia	Manufacturing and distribution of trunk pipeline bends	TPS	100.00%	100.00%
MSA a.s.	Czech Republic	Manufacturing and distribution of pipeline valves	TPS	100.00%	100.00%
LLC ETERNO	Russia	Manufacturing and distribution of pressed and welded components of pipelines	TPS	100.00%	100.00%
OOO "RIMERA-ALNAS" ²	Russia	Manufacturing and distribution of pumps	OFS	-	100.00%
PJSC Izhneftemash ²	Russia	Manufacturing and distribution of pumps	OFS	-	94.39%
OOO RIMERA-Service ²	Russia	Oilfield services	OFS	-	100.00%

¹ A company organized and existing as a private limited company under the laws of Ireland. The Group does not have any equity in Chelpipe Finance DAC. It was established in July 2019 for the purpose of raising capital through the issuance of debt securities on the Irish Stock Exchange followed by transferring the proceeds through a loan facility to the Group.

² Discontinued operations (Note 4).

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

4. DISCONTINUED OPERATIONS

At 4 and 5 March 2021 the Group concluded agreements on sale of its subsidiaries comprising the OFS segment and Cybersteel LLC of SPP segment. Total consideration under these agreements was 10,139. All payments within the contract were settled in March 2021.

Loss on sale of the companies of the OFS segment and Cybersteel LLC, and loss on disposal of a dissolved subsidiary JSC CSS "Metris" was 1,373, which consisted of the following:

	Six months ended 30 June 2021
Sale consideration	10,139
Carrying value of net assets disposed (including cash) ¹	(11,619)
Loss on disposal before reclassifications in other comprehensive income	(1,480)
Foreign currency translation	8
Non-controlling interests	99
Loss on disposal of the discontinued operation²	(1,373)

¹ Including carrying value of net assets of a dissolved subsidiary JSC CSS "MeTriS" in the amount of 23

² Including loss on disposal of a dissolved subsidiary JSC CSS "MeTriS" in the amount of 23

Financial results from discontinued operations, included into interim condensed consolidated statement of comprehensive income, are presented below:

	Six months ended 30 June 2021	
	2021	2020*
Revenue	1,659	6,915
Companies of the OFS segment	1,295	6,915
Cybersteel LLC	364	-
Costs	(1,721)	(6,134)
Companies of the OFS segment	(1,401)	(6,134)
Cybersteel LLC	(320)	-
(Loss)/profit before income tax	(62)	781
Companies of the OFS segment	(106)	781
Cybersteel LLC	44	-
Income tax on discontinued operations	(8)	(134)
Companies of the OFS segment	1	(134)
Cybersteel LLC	(9)	-
Loss on disposal of the discontinued operation	(1,373)	-
Companies of the OFS segment	(1,312)	-
Cybersteel LLC	(38)	-
JSC CSS "Metris"	(23)	-
(Loss)/profit for the period attributable to discontinued operations (attributable to Owners of the Company)	(1,443)	647
Companies of the OFS segment	(1,417)	647
Cybersteel LLC	(3)	-
JSC CSS "Metris"	(23)	-
(Loss)/earnings per share from discontinued operations attributable to owners of the Company, basic and diluted (Russian Roubles per share)	(4.72)	2.1

* Cybersteel LLC and JSC CSS "Metris" reported no operating results for the six months ended 30 June 2020, because they weren't engaged in any operating activities for the period.

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

Assets and liabilities, which refer to discontinued operations of the OFS segment, were as follows:

	Carrying value at the date of disposal
Assets	
Non-current assets	
Property, plant and equipment	7,371
Advances for capital construction and intangible assets	23
Intangible assets	636
Right-of-use assets	146
Goodwill	669
Deferred tax assets	650
Other non-current assets	11
Total non-current assets	9,506
Current assets	
Inventories	3,532
Trade and other receivables	2,743
Advances and prepayments	268
Current income tax prepayment	3
Loans receivable	160
Cash and cash equivalents	429
Total current assets	7,135
Total assets	16,641
Non-current liabilities	
Borrowings	1,073
Retirement benefit obligations	46
Deferred tax liabilities	532
Total non-current liabilities	1,651
Current liabilities	
Borrowings	1,750
Accounts payable and accrued expenses	2,747
Advances from customers	86
Income tax payable	42
Other taxes payable	406
Total current liabilities	5,031
Total liabilities	6,682
Carrying value of net assets disposed	9,959

Assets and liabilities, which refer to discontinued operations of Cybersteel LLC, were as follows:

	Carrying value at the date of disposal
Assets	
Non-current assets	
Property, plant and equipment	381
Deferred tax assets	6
Total non-current assets	387
Current assets	
Inventories	707
Trade and other receivables	770
Advances and prepayments	431
Cash and cash equivalents	1,090
Total current liabilities	2,998
Total assets	3,385
Current liabilities	
Accounts payable and accrued expenses	1,627
Advances from customers	78
Income tax payable	12
Other taxes payable	13
Retirement benefit obligations	18
Total non-current liabilities	1,748
Total liabilities	1,748
Carrying value of net assets disposed	1,637

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

5. SEGMENT REPORTING

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

- Steel pipe production ("SPP") – representing manufacturing and distribution of pipes and other related products, including activities related to the procurement of scrap and its further utilisation as raw materials in manufacturing of steel billets used in seamless pipe production. In March 2021, due to the change of the parent, the Group completed the disposal of Cybersteel LLC, which constituted a part of the Steel pipe production segment (Note 4);
- Oilfield services ("OFS") – representing equipment manufacturing and support services for oil well extraction equipment such as electric submersible pumps, sucker-rod drilling pumps and a number of other products and services for various stages of an oilfield's development. In March 2021, due to the change of the parent, the Group completed the disposal of the Oilfield services segment (Note 4);
- Trunk pipeline systems ("TPS") – representing production of highly customised components for the construction of oil and gas pipelines, including valves, hot-formed and cold-formed pipeline bends and hubs; and
- Scrap procurement ("Scrap") – representing procurement, storage, recycling of ferrous and non-ferrous scrap metal including collection, sorting, shredding, processing, etc. with further selling of scrap metal.

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

During the six months ended 30 June 2021, due to the change of the parent of the Group, the management changed the approach to the calculation of Adjusted EBITDA. The comparative information in these interim condensed 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 and costs are eliminated upon consolidation and along with the other inter-segment consolidation adjustments, form the Adjustments in the tables below.

Segment revenue reviewed by management and disclosed in this note may differ from revenue streams disclosed in Note 7 as some companies in specific operating segment could have a minor sale transactions of non-core products which are included in different line in Note 7.

Segment information for the six months ended 30 June 2021 and for the six months ended 30 June 2020 is disclosed in the tables below, excluding the results on discontinued operations, which are described in Note 4.

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

The table below discloses 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 interim condensed consolidated statement of comprehensive income:

For the six months ended 30 June 2021	Steel pipe production	Trunk pipeline systems	Scrap procurement	Adjustments	Total
Revenue	64,744	4,668	22,371	(20,420)	71,363
Cost of sales	(50,603)	(5,038)	(20,816)	20,388	(56,069)
Gross profit	14,141	(370)	1,555	(32)	15,294
Distribution costs	(4,371)	(328)	(261)	14	(4,946)
General and administrative expenses	(6,129)	(3,908)	(330)	16	(10,351)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(157)	(7)	1	-	(163)
Other operating expenses	(86)	-	-	-	(86)
Operating profit/(loss)	3,398	(4,613)	965	(2)	(252)
Add back:					
Depreciation and amortisation	2,171	332	124	-	2,627
Loss/(gain) on disposal of property, plant and equipment and intangible assets	157	7	(1)	-	163
Movements in allowances and provisions	2,715	4,034	(7)	-	6,742
Foreign exchange loss/(gain) from operations	(6)	47	-	-	41
Other expenses	539	1	-	-	540
	5,576	4,421	116	-	10,113
Adjusted EBITDA	8,974	(192)	1,081	(2)	9,861
For the six months ended 30 June 2020	Steel pipe production	Trunk pipeline systems	Scrap procurement	Adjustments	Total
Revenue	62,909	3,221	10,449	(11,650)	64,929
Cost of sales	(43,591)	(2,962)	(10,012)	11,617	(44,948)
Gross profit	19,318	259	437	(33)	19,981
Distribution costs	(3,556)	(136)	(122)	31	(3,783)
General and administrative expenses	(5,479)	(237)	(182)	(13)	(5,911)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	350	9	(1)	-	358
Other operating expenses	(3)	-	-	-	(3)
Operating profit/(loss)	10,630	(105)	132	(15)	10,642
Add back:					
Depreciation and amortisation	2,410	296	366	-	3,072
(Gain)/loss on disposal of property, plant and equipment and intangible assets	(350)	(9)	1	-	(358)
Movements in allowances and provisions	70	49	(20)	-	99
Foreign exchange loss/(gain) from operations	229	(27)	-	-	202
Other expenses	354	1	-	-	355
	2,713	310	347	-	3,370
Adjusted EBITDA	13,343	205	479	(15)	14,012

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

Revenue: geographical segments

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

	Six months ended 30 June	
	2021	2020
Russian Federation	59,742	55,831
Other countries of the Commonwealth of Independent States	7,318	6,306
Foreign countries	4,303	2,792
Total revenue	71,363	64,929

6. DIVIDENDS

For the six months ended 30 June 2021, the Company didn't declare dividends (six months ended 30 June 2020: 2,501).

7. REVENUE

Revenue recognized from contracts with customers is set out below:

	Six months ended 30 June	
	2021	2020
Domestic sales of pipes	50,780	51,580
Domestic sales of scrap	5,544	961
Domestic sales of pipeline valves	1,695	2,305
Domestic sales of oilfield services	615	558
Domestic sales of other goods	1,108	427
Export of pipes	10,096	7,979
Export of pipeline valves	1,508	1,108
Export of scrap	17	11
Total revenue	71,363	64,929

8. INCOME TAX

Income tax comprises the following:

	Six months ended 30 June	
	2021	2020
Current tax	1,617	1,784
Deferred tax	(308)	(856)
Total income tax	1,309	928

9. INVENTORIES

	30 June	31 December
	2021	2020
Raw materials	14,060	13,329
Work in progress	8,045	6,638
Finished goods and goods for resale	7,795	7,341
Allowance for net realisable value of inventories	(2,082)	(976)
Total inventories	27,818	26,332

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

The movement of allowance for net realisable value of inventories is presented below:

	Six months ended 30 June	
	2021	2020
Balance at the beginning of period	976	1,026
Accrual/(reversal) of the allowance*	1,290	(86)
Discontinued operations	(178)	-
Effect of translating from functional to presentation currency	(6)	6
Balance at the end of period	2,082	946

* Included into cost of sales of the interim condensed consolidated statement of comprehensive income.

10. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Cash on hand and balances with banks, RUB	4,372	4,608
Cash balances with banks, U.S. Dollar	1,151	2,981
Term deposits in RUB	1,121	464
Cash balances with banks, Euro and other currencies	270	106
Term promissory notes	-	7
Total cash and cash equivalents	6,914	8,166

At 30 June 2021, the restricted cash amounted to 129 (31 December 2020: 102).

11. BORROWINGS

	30 June 2021	31 December 2020
Non-current		
Coupon bonds	53,500	62,063
Bank loans	15,593	14,820
Unamortised debt issue costs	(315)	(381)
Lease liabilities	448	1,050
Total	69,226	77,552
Current		
Current portion of non-current borrowings	9,221	4,205
Current portion of coupon bonds	5,000	-
Bank loans	2,370	4,863
Interest payable	739	579
Unamortised debt issue costs	(79)	(88)
Lease liabilities	140	320
Total	17,391	9,879
Total borrowings	86,617	87,431

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

	30 June 2021	31 December 2020
Russian Rouble	64,285	64,645
U.S. Dollar	21,815	22,242
Euro	517	544
Total	86,617	87,431

Unutilised Borrowing Facilities

At 30 June 2021, the Group had unutilised borrowing facilities in the amount of 44,010.

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

12. ADVANCES FROM CUSTOMERS AND OTHER LIABILITIES

The Group transferred some of its intercompany debts in exchange for cash under factoring arrangements. During the six months ended 30 June 2021, the net cash inflows from these transactions amounted to 2,201 (for the six months ended 30 June 2020: 0). At 30 June 2021, the liability in respect of these transactions was recognized within the other current liabilities in the amount of 2,201 (31 December 2020: 0).

At 30 June 2021, the balance of current advances from customers was 7,904 (31 December 2020: 2,609), and included VAT in the amount of 1,161 (31 December 2020: 463).

13. PROVISIONS

At 30 June 2021 provision for the claims and court proceedings, in which the Group was involved, comprised 5,245 (31 December 2020: 631). The major change in provisions for the six months ended 30 June 2021 is included into general and administrative expenses of the interim condensed consolidated statement of comprehensive income in the amount of 4,701.

14. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2021 are detailed below:

	Group's controlling shareholder	Group's parent company	Entities controlled by the Group's controlling shareholder	Entities under significant influence of the Group's controlling shareholder
Trade and other receivables	-	4,306	1,344	-
Loans receivable	-	16,100	-	-
Trade and other payables	-	(1,058)	(2,436)	(1)
Borrowings	-	-	(7)	-

In March 2021, the Group issued loans to its parent company under market conditions in the amount of 16,100 maturing in 2024.

During the six months ended 30 June 2021, the Group made a reversal of provision for credit losses on loans receivable to related parties amounted to 136 and interest receivable amounted to 442, as they were repaid. Reversal of provision is included in the line reversal of impairment of financial investments of the condensed consolidated statement of comprehensive income.

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

Transactions with related parties as well as purchases for the six months ended 30 June 2021 were as follows:

	<u>Group's controlling shareholder</u>	<u>Group's parent company</u>	<u>Entities controlled by the Group's controlling shareholder</u>	<u>Entities under significant influence of the Group's controlling shareholder</u>
Revenue	-	3,205	1,469	162
Purchases	-	(6,324)	(3,272)	(104)
Distribution costs	-	(11)	-	-
General and administrative expenses	-	(222)	(485)	8
Finance income, net	-	248	34	5

In addition to the transactions mentioned in the table above, during the six months ended 30 June 2021, the Group paid dividends to the related parties in the amount of 1,761.

During the six months ended 30 June 2021, the Group sold the following assets to related parties:

- 21.67 per cent share of associate owned by the Group for consideration of 249, carrying value of this investment at the date of disposal was 0. Gain on disposal in the amount of 249 is included into gain on disposal of associates of condensed consolidated statement of comprehensive income;
- Property, plant and equipment and intangible assets with carrying value of 1,714 and gain on disposal of 1,615. The Group recognized financial results on these operations in other non-operating income of condensed consolidated statement of comprehensive income. At 30 June 2021 receivables were fully repaid;
- Other equity instruments, measured at fair value through profit or loss, for consideration of 362 with carrying value at the date of disposal of 11. Gain on disposal in the amount of 351 is included into gain on disposal of other financial assets of condensed consolidated statement of comprehensive income. Receivables as at 30 June 2021 amounted to 151, and were fully repaid at the date of approval.

In February 2021 the Group signed the contract for selling 30% share of the capital in CJSC TechnoInvest Aliance. The Company accounted for this investment at fair value in accordance with IFRS 9 *Financial Instruments* within other financial assets. The fair value of the Company's investments in CJSC TechnoInvest Aliance was determined by independent appraiser within the contract and comprised 3,303 (31 December 2020: 3,215). The part of the share was sold to a related party for consideration of 2,693, the remaining part was sold to a third party for consideration of 610. All payments within the contract were settled in March 2021.

During the six months ended 30 June 2021, the Group derecognized the right-of-use assets from related parties due to their disposal. At 31 December 2020 the Group recognized the right-of-use assets from related parties in the amount of 187.

During the six months ended 30 June 2021, the Group acquired property, plant and equipment from related parties in the amount of 66.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2020 are detailed below:

	<u>Group's controlling shareholder</u>	<u>Group's parent company</u>	<u>Entities controlled by the Group's controlling shareholder</u>	<u>Entities under significant influence of the Group's controlling shareholder</u>
Trade and other receivables	79	-	832	512
Loans receivable	-	-	5,432	476
Trade and other payables	(1,547)	-	(448)	(192)
Borrowings	-	-	(213)	(5)

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

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

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

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

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

Directors' and key management remuneration

At 30 June 2021, the Board of Directors of the Company comprised 7 directors (31 December 2020: 7 directors). For the six months ended 30 June 2021, aggregate remuneration of executives (including compensation to the members of the Board of Directors of the Company), amounted to 657 and was included in general and administrative expenses (six months ended 30 June 2020: 518). Due to the change of the parent of the Group, starting March 2021 and till the election of the new Board of Directors, key management personnel was changed. Key management remuneration is presented considering this fact.

15. OPERATING ENVIRONMENT AND CAPITAL EXPENDITURE COMMITMENTS

Operating 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 unpredictable, and current management's expectations and estimates could differ from actual results.

Capital expenditure commitments

At 30 June 2021, the Group had contractual capital expenditure commitments to acquire equipment and works of capital nature totaling 640 (31 December 2020: 1,559). Contractual commitments were expressed net of VAT.

Legal claims

Companies of the Group are involved in litigations which arise from time to time in the course of their business activities. Management believes that the ultimate results of these litigations will not materially affect the performance or financial position of the Company. Reliably estimated probable obligations were recognized within provisions in the Consolidated financial statements of the Company (Note 13).

PJSC "CHELYABINSK PIPE PLANT"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(millions of Russian Roubles, unless otherwise stated)

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.

16. FAIR VALUE MEASUREMENTS

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

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

	Level of the fair value hierarchy	Note	30 June 2021		31 December 2020	
			Nominal value	Fair value	Nominal value	Fair value
Financial assets						
Loans receivable	Level 3		16,100	14,965	609	651
Financial liabilities						
Long-term loans	Level 3	11	24,814	24,453	19,025	18,407
Eurobonds	Level 2	11	21,712	22,525	22,163	22,598
Russian bonds	Level 2	11	36,788	36,494	39,900	40,641

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

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

17. EVENTS AFTER THE REPORTING PERIOD

In July 2021 Group's shareholders made a decision on sale of controlling interest in JSC Pervouralsk Pipe Plant, included in the Steel pipe production segment, and its subsidiaries, which constitute the Scrap procurement Segment. At the decision date JSC Pervouralsk Pipe Plant and its subsidiaries were classified as a disposal group held for sale and discontinued operations. Balance of the discontinued assets at 30 June 2021 comprised 36 per cent of the Group's assets, the revenue comprised 23 per cent of the Group's revenue.