

PAO TMK

**Unaudited Interim Condensed
Consolidated Financial Statements**

Nine-month period ended September 30, 2020

PAO TMK

Unaudited Interim Condensed Consolidated Financial Statements Nine-month period ended September 30, 2020

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Report on Review of Interim Financial Information

To the shareholders and Board of Directors of
PAO TMK

Introduction

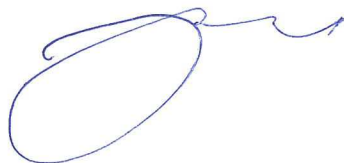
We have reviewed the accompanying interim condensed consolidated financial statements of PAO TMK and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 September 2020, the interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-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

4 December 2020

Details of the entity

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

Details of the auditor

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

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Unaudited Interim Consolidated Income Statement
 Nine-month period ended September 30, 2020

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

		Nine-month period ended September 30,					
		2020			2019		
	NOTES	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue	3	163,146	-	163,146	188,787	49,666	238,453
Cost of sales	4	(126,943)	-	(126,943)	(147,338)	(45,487)	(192,825)
Gross profit		36,203	-	36,203	41,449	4,179	45,628
Selling and distribution expenses	5	(13,072)	-	(13,072)	(10,759)	(670)	(11,429)
Advertising and promotion expenses		(318)	-	(318)	(453)	(22)	(475)
General and administrative expenses	6	(9,978)	-	(9,978)	(10,952)	(2,577)	(13,529)
Research and development expenses		(100)	-	(100)	(107)	(206)	(313)
Other operating income/(expenses)	7	(1,081)	-	(1,081)	(686)	(81)	(767)
Operating profit/(loss)		11,654	-	11,654	18,492	623	19,115
Impairment of property, plant and equipment	12	(4,257)	-	(4,257)	-	-	-
Impairment of financial investments		(870)	-	(870)	-	-	-
Foreign exchange gain/(loss)		9,456	-	9,456	1,789	(7)	1,782
Finance costs		(10,060)	-	(10,060)	(10,991)	(278)	(11,269)
Finance income		1,246	-	1,246	701	-	701
Gains/(losses) from associates		69	-	69	(253)	-	(253)
Gain/(loss) on disposal of subsidiaries	9	-	23,870	23,870	(7)	-	(7)
Other non-operating income/(expenses)		(162)	-	(162)	(352)	(445)	(797)
Profit/(loss) before tax		7,076	23,870	30,946	9,379	(107)	9,272
Income tax benefit/(expense)	8,9	(2,478)	(3,407)	(5,885)	(2,652)	(22)	(2,674)
Profit/(loss) for the period		4,598	20,463	25,061	6,727	(129)	6,598
Attributable to:							
Equity holders of the parent entity		4,649	20,463	25,112	6,550	(129)	6,421
Non-controlling interests		(51)	-	(51)	177	-	177
		4,598	20,463	25,061	6,727	(129)	6,598
Earnings/(loss) per share (in roubles)		4.701	20.690	25.391	6.344	(0.126)	6.218

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

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Unaudited Interim Consolidated Income Statement
Nine-month period ended September 30, 2020 (continued)

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

		Three-month period ended September 30,					
		2020			2019		
	NOTES	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue	3	51,156	-	51,156	59,108	11,975	71,083
Cost of sales	4	(39,628)	-	(39,628)	(45,410)	(11,472)	(56,882)
Gross profit		11,528	-	11,528	13,698	503	14,201
Selling and distribution expenses	5	(3,906)	-	(3,906)	(3,435)	(179)	(3,614)
Advertising and promotion expenses		(123)	-	(123)	(198)	(7)	(205)
General and administrative expenses	6	(3,162)	-	(3,162)	(4,516)	(751)	(5,267)
Research and development expenses		(37)	-	(37)	(37)	(48)	(85)
Other operating income/(expenses)	7	(64)	-	(64)	(299)	(61)	(360)
Operating profit/(loss)		4,236	-	4,236	5,213	(543)	4,670
Impairment of property, plant and equipment	12	-	-	-	-	-	-
Impairment of financial investments		(387)	-	(387)	-	-	-
Foreign exchange gain/(loss)		5,622	-	5,622	(319)	7	(312)
Finance costs		(3,255)	-	(3,255)	(3,794)	(92)	(3,886)
Finance income		409	-	409	216	-	216
Gains/(losses) from associates		5	-	5	(52)	-	(52)
Gain/(loss) on disposal of subsidiaries	9	-	(31)	(31)	-	-	-
Other non-operating income/(expenses)		(10)	-	(10)	(48)	(300)	(348)
Profit/(loss) before tax		6,620	(31)	6,589	1,216	(928)	288
Income tax benefit/(expense)	8,9	(1,762)	6	(1,756)	(586)	220	(366)
Profit/(loss) for the period		4,858	(25)	4,833	630	(708)	(78)
Attributable to:							
Equity holders of the parent entity		4,861	(25)	4,836	595	(708)	(113)
Non-controlling interests		(3)	-	(3)	35	-	35
Earnings/(loss) per share (in roubles)		5.369	(0.028)	5.341	0.577	(0.687)	(0.110)

Information about the discontinued operations is presented in Note 9.

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

PAO TMK

Unaudited Interim Consolidated Statement of Comprehensive Income
 Nine-month period ended September 30, 2020

(All amounts in millions of Russian roubles)

	NOTES	Nine-month period ended September 30,		Three-month period ended September 30,	
		2020	2019	2020	2019
Profit/(loss) for the period		25,061	6,598	4,833	(78)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations to presentation currency ⁽ⁱ⁾		4,213	(6,400)	2,375	708
Foreign currency gain on hedged net investment in foreign operations, net of tax ⁽ⁱⁱ⁾		-	3,202	-	(851)
Reclassification of foreign currency reserves to the income statement, net of tax ⁽ⁱⁱ⁾	9	(6,022)	-	-	-
Other comprehensive income/(loss) for the period, net of tax		(1,809)	(3,198)	2,375	(143)
Total comprehensive income/(loss) for the period, net of tax		23,252	3,400	7,208	(221)
Attributable to:					
Equity holders of the parent entity		23,299	3,322	7,221	(241)
Non-controlling interests		(47)	78	(13)	20
		23,252	3,400	7,208	(221)

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

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2020	2019	2020	2019
Exchange differences on translation of foreign operations to presentation currency attributable to:				
Equity holders of the parent entity	4,209	(6,301)	2,385	723
Non-controlling interests	4	(99)	(10)	(15)
	4,213	(6,400)	2,375	708

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

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

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

(All amounts in millions of Russian roubles)

	NOTES	September 30, 2020		December 31, 2019	
ASSETS					
Current assets					
Cash and cash equivalents	10	60,822		21,899	
Trade and other receivables		87,723		65,910	
Inventories	11	55,500		56,281	
Prepayments and input VAT		13,844		9,845	
Prepaid income taxes		651		939	
Other financial assets	16	26,147	244,687	826	155,700
Assets of disposal group held for sale	9	-	-	57,790	57,790
Non-current assets					
Investments in associates and joint ventures		75		61	
Property, plant and equipment	12	117,252		117,403	
Goodwill		1,041		1,041	
Intangible assets		1,103		769	
Deferred tax asset		10,965		11,405	
Other non-current assets		9,130	139,566	8,013	138,692
TOTAL ASSETS			384,253		352,182
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	46,516		51,782	
Advances from customers		22,122		5,962	
Provisions and accruals	14	4,030		3,447	
Interest-bearing loans and borrowings	15	76,103		83,244	
Lease liability		816		628	
Income tax payable		1,208		1,072	
Other liabilities	17	-	150,795	9,511	155,646
Liabilities of disposal group held for sale	9	-	-	11,386	11,386
Non-current liabilities					
Interest-bearing loans and borrowings	15	131,264		100,625	
Lease liability		5,255		4,510	
Deferred tax liability		3,435		4,227	
Provisions and accruals	14	59		56	
Employee benefits liability		1,528		1,472	
Other liabilities	17	31,873	173,414	20,665	131,555
Total liabilities			324,209		298,587
Equity					
Parent shareholders' equity	20				
Share capital		10,331		10,331	
Treasury shares		(15,962)		(109)	
Additional paid-in capital		14,716		14,525	
Reserve capital		517		517	
Retained earnings		39,601		14,633	
Foreign currency translation reserve		8,893		4,684	
Reserves of disposal group held for sale	9	-		6,022	
Other reserves		37	58,133	(56)	50,547
Non-controlling interests			1,911		3,048
Total equity			60,044		53,595
TOTAL LIABILITIES AND EQUITY			384,253		352,182

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

PAO TMK

Unaudited Interim Consolidated Statement of Changes in Equity
Nine-month period ended September 30, 2020

(All amounts in millions of Russian roubles)

	Attributable to equity holders of the parent							Non-controlling interests	TOTAL	
	Share capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained earnings	Foreign currency translation reserve*	Other reserves			Total
At January 1, 2020	10,331	(109)	14,525	517	14,633	10,706	(56)	50,547	3,048	53,595
Profit/(loss) for the period	-	-	-	-	25,112	-	-	25,112	(51)	25,061
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	(1,813)	-	(1,813)	4	(1,809)
Total comprehensive income/(loss) for the period, net of tax	-	-	-	-	25,112	(1,813)	-	23,299	(47)	23,252
Voluntary tender offer to acquire ordinary shares of PAO TMK (Note 20 iv)	-	-	-	-	-	-	(21,960)	(21,960)	-	(21,960)
Completion of the voluntary tender offer (Note 20 iv)	-	(14,389)	-	-	-	-	21,960	7,571	-	7,571
Purchase of ordinary shares of PAO TMK (Note 20 v)	-	(1,464)	-	-	-	-	-	(1,464)	-	(1,464)
Dividends declared by subsidiaries of the Group to the non-controlling interest owners (Note 20 iii)	-	-	-	-	-	-	-	-	(107)	(107)
Acquisition of subsidiaries (Note 9)	-	-	-	-	-	-	-	-	63	63
Reclassification of actuarial losses due to disposal of subsidiaries (Note 9)	-	-	-	-	(93)	-	93	-	-	-
Acquisition of non-controlling interests in subsidiaries (Note 20 ii)	-	-	191	-	(51)	-	-	140	(1,046)	(906)
At September 30, 2020	10,331	(15,962)	14,716	517	39,601	8,893	37	58,133	1,911	60,044

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

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

PAO TMK

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

(All amounts in millions of Russian roubles)

	Attributable to equity holders of the parent							Non-controlling interests	TOTAL	
	Share capital	Treasury shares	Additional paid-in capital	Reserve capital	Retained earnings	Foreign currency translation reserve	Other reserves			Total
At January 1, 2019	10,331	(38)	14,513	517	13,429	14,506	290	53,548	3,249	56,797
Profit/(loss) for the period	-	-	-	-	6,421	-	-	6,421	177	6,598
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	(3,099)	-	(3,099)	(99)	(3,198)
Total comprehensive income/(loss) for the period, net of tax	-	-	-	-	6,421	(3,099)	-	3,322	78	3,400
Purchase of treasury shares	-	(6)	-	-	-	-	-	(6)	-	(6)
Dividends declared by the Company to its shareholders	-	-	-	-	(2,633)	-	-	(2,633)	-	(2,633)
Dividends declared by subsidiaries of the Group to the non-controlling interest owners	-	-	-	-	-	-	-	-	(77)	(77)
Change of non-controlling interests' share in subsidiaries	-	-	12	-	(7)	-	-	5	(104)	(99)
At September 30, 2019	10,331	(44)	14,525	517	17,210	11,407	290	54,236	3,146	57,382

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

PAO TMK

Unaudited Interim Consolidated Statement of Cash Flows
Nine-month period ended September 30, 2020

(All amounts in millions of Russian roubles)

	NOTES	Nine-month period ended September 30,	
		2020	2019
Operating activities			
Profit/(loss) before tax		30,946	9,272
Adjustments to reconcile profit/(loss) before tax to operating cash flows:			
Depreciation of property, plant and equipment		9,101	10,680
Amortisation of intangible assets		215	168
(Gain)/loss on disposal of property, plant and equipment	7	304	405
Impairment of property, plant and equipment	12	4,257	-
Impairment of financial investments		870	-
Foreign exchange (gain)/loss		(9,456)	(1,782)
Finance costs		10,060	11,269
Finance income		(1,246)	(701)
(Gain)/loss on disposal of subsidiaries	9	(23,870)	7
Other non-operating (income)/expenses		162	797
(Gains)/losses from associates		(69)	253
Movement in allowances and provisions		3,583	758
Operating cash flows before working capital changes		24,857	31,126
Working capital changes:			
Decrease/(increase) in inventories		2,354	(2,394)
Decrease/(increase) in trade and other receivables		(10,221)	(3,893)
Decrease/(increase) in prepayments and input VAT		(9,127)	1,120
Increase/(decrease) in trade and other payables		(8,961)	3,228
Increase/(decrease) in advances from customers		27,256	(11,802)
Cash generated from operations		26,158	17,385
Income taxes paid		(6,085)	(2,530)
Net cash flows from operating activities		20,073	14,855
Investing activities			
Purchase of property, plant and equipment		(7,966)	(9,915)
Purchase of intangible assets		(299)	(596)
Disposal of subsidiary, net of cash disposed		63,226	-
Issuance of loans		(1,139)	(7,732)
Proceeds from repayment of loans issued		1,560	1,525
Interest received		859	451
Other cash movements		(17,407)	145
Net cash flows from/(used in) investing activities		38,834	(16,122)
Financing activities			
Purchase of treasury shares		(15,686)	(6)
Proceeds from borrowings		125,289	76,167
Repayment of borrowings		(122,967)	(71,183)
Interest paid		(9,344)	(9,597)
Payment of lease liabilities		(695)	(970)
Acquisition of non-controlling interests		(886)	-
Dividends paid by the Company to its shareholders		-	(2,633)
Dividends paid to non-controlling interest shareholders		(104)	(89)
Other cash movements	17	(9,511)	1,215
Net cash flows used in financing activities		(33,904)	(7,096)
Net increase/(decrease) in cash and cash equivalents		25,003	(8,363)
Net foreign exchange difference		13,695	(1,149)
Cash and cash equivalents at January 1		22,124	27,221
Cash and cash equivalents at September 30		60,822	17,709
Continuing operations		60,822	17,489
Discontinued operations		-	220

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

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

PAO TMK

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

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

1) Corporate Information

These interim condensed consolidated financial statements of PAO TMK and its subsidiaries (the “Group”) for the nine-month period ended September 30, 2020 were authorised for issue in accordance with a resolution of the CEO on December 4, 2020.

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

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

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

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

2) Significant Accounting Policies

i) Basis of Preparation

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

ii) Foreign Currency Translation

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

iii) Application of New and Amended IFRSs

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

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

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

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

2) Significant Accounting Policies (continued)

iii) Application of New and Amended IFRSs (continued)

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

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

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

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

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

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

The Conceptual Framework for Financial Reporting (revised)

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

PAO TMK

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

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

3) Segment Information

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

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

Management monitors the operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on Adjusted EBITDA. 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.

Nine-month period ended September 30, 2020	Russia	Americas	Europe	TOTAL
Revenue	152,711	-	10,435	163,146
Cost of sales	(117,910)	-	(9,033)	(126,943)
Gross profit	34,801	-	1,402	36,203
Selling, general and administrative expenses	(21,157)	-	(2,311)	(23,468)
Other operating income/(expenses)	(1,236)	-	155	(1,081)
Operating profit/(loss)	12,408	-	(754)	11,654
Add back:				
Depreciation and amortisation	8,378	-	938	9,316
(Gain)/loss on disposal of property, plant and equipment	298	-	6	304
Movements in allowances and provisions	3,565	-	239	3,804
Foreign exchange gain/(loss) from operations	8,624	-	14	8,638
Other expenses	1,033	-	40	1,073
	21,898	-	1,237	23,135
Adjusted EBITDA	34,306	-	483	34,789

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3) Segment Information (continued)

Nine-month period ended September 30, 2019	Russia	Americas	Europe	TOTAL
Revenue	176,713	49,666	12,074	238,453
Cost of sales	(138,069)	(45,487)	(9,269)	(192,825)
Gross profit	38,644	4,179	2,805	45,628
Selling, general and administrative expenses	(19,926)	(3,475)	(2,345)	(25,746)
Other operating income/(expenses)	(625)	(81)	(61)	(767)
Operating profit	18,093	623	399	19,115
Add back:				
Depreciation and amortisation	8,480	1,423	945	10,848
(Gain)/loss on disposal of property, plant and equipment	238	232	(65)	405
Movements in allowances and provisions	553	980	17	1,550
Foreign exchange gain/(loss) from operations	(251)	-	69	(182)
Other expenses	906	6	41	953
Adjusted EBITDA	28,019	3,264	1,406	32,689

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

Sales to external customers	Seamless pipes	Welded pipes	Other operations	TOTAL
Nine-month period ended September 30, 2020	127,976	26,620	8,550	163,146
Nine-month period ended September 30, 2019	169,703	60,046	8,704	238,453

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

	Russia	Americas	Europe	Middle East and North Africa	CIS	Eastern Asia, South-Eastern Asia and Far East	TOTAL
Revenue							
Nine-month period ended September 30, 2020	123,167	3,251	20,738	2,236	13,233	521	163,146
Nine-month period ended September 30, 2019	139,491	59,081	23,355	3,806	11,435	1,285	238,453

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4) Cost of Sales

	Nine-month period ended September 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Raw materials and consumables	80,891	101,345	26,922	128,267
Staff costs including social security	17,524	16,841	8,077	24,918
Energy and utilities	12,112	12,388	1,840	14,228
Depreciation and amortisation	8,381	8,493	1,001	9,494
Repairs and maintenance	2,353	2,201	1,878	4,079
Contracted manufacture	1,230	1,225	2,347	3,572
Freight	1,144	1,019	2,067	3,086
Professional fees and services	995	842	804	1,646
Taxes	553	524	227	751
Import duties	321	262	915	1,177
Insurance	238	197	3	200
Other	99	140	416	556
Total production cost	125,841	145,477	46,497	191,974
Change in own finished goods and work in progress	(570)	226	(2,403)	(2,177)
Cost of sales of externally purchased goods	1,114	1,615	-	1,615
Obsolete stock, write-offs/(reversal of allowances)	558	20	1,393	1,413
Cost of sales	126,943	147,338	45,487	192,825

	Three-month period ended September 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Raw materials and consumables	24,293	33,013	5,166	38,179
Staff costs including social security	5,592	5,718	2,130	7,848
Energy and utilities	3,853	3,721	482	4,203
Depreciation and amortisation	2,842	2,809	-	2,809
Repairs and maintenance	742	789	640	1,429
Contracted manufacture	94	223	606	829
Freight	348	392	575	967
Professional fees and services	390	317	208	525
Taxes	188	176	63	239
Import duties	-	262	184	446
Insurance	81	62	1	63
Other	29	64	109	173
Total production cost	38,452	47,546	10,164	57,710
Change in own finished goods and work in progress	610	(2,615)	382	(2,233)
Cost of sales of externally purchased goods	547	444	-	444
Obsolete stock, write-offs/(reversal of allowances)	19	35	926	961
Cost of sales	39,628	45,410	11,472	56,882

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5) Selling and Distribution Expenses

	Nine-month period ended September 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Freight	5,857	6,578	293	6,871
Impairment of receivables, write-offs	2,921	289	6	295
Staff costs including social security	1,846	1,465	331	1,796
Consumables	998	972	-	972
Professional fees and services	827	820	3	823
Import duties	238	266	-	266
Depreciation and amortisation	91	66	-	66
Insurance	84	55	-	55
Utilities and maintenance	68	64	-	64
Other	142	184	37	221
	13,072	10,759	670	11,429

	Three-month period ended September 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Freight	1,427	1,955	71	2,026
Impairment of receivables, write-offs	1,207	231	-	231
Staff costs including social security	590	366	99	465
Consumables	269	362	-	362
Professional fees and services	253	298	1	299
Import duties	21	97	-	97
Depreciation and amortisation	37	23	-	23
Insurance	26	22	-	22
Utilities and maintenance	20	21	-	21
Other	56	60	8	68
	3,906	3,435	179	3,614

6) General and Administrative Expenses

	Nine-month period ended September 30,			
	2020	2019		
	Continuing operations	Continuing operations	Discontinued operations	Total
Staff costs including social security	5,982	6,959	1,567	8,526
Professional fees and services	1,744	1,941	392	2,333
Depreciation and amortisation	949	702	12	714
Utilities and maintenance	548	520	-	520
Transportation	236	196	-	196
Consumables	119	110	14	124
Taxes	109	114	44	158
Rent	92	83	5	88
Travel	80	202	72	274
Other	119	125	471	596
	9,978	10,952	2,577	13,529

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

6) General and Administrative Expenses (continued)

	Three-month period ended September 30,			
	2020		2019	
	Continuing operations	Continuing operations	Discontinued operations	Total
Staff costs including social security	1,807	3,200	454	3,654
Professional fees and services	590	630	91	721
Depreciation and amortisation	332	237	-	237
Utilities and maintenance	183	180	-	180
Transportation	79	71	-	71
Consumables	47	39	5	44
Taxes	35	33	14	47
Rent	30	29	1	30
Travel	21	67	21	88
Other	38	30	165	195
	3,162	4,516	751	5,267

7) Other Operating Income and Expenses

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2020	2019	2020	2019
	Social and social infrastructure maintenance expenses	535	514	133
Sponsorship and charitable donations	538	439	203	102
Taxes and penalties	398	270	235	95
(Gain)/loss on disposal of property, plant and equipment	304	405	85	150
Other (income)/expenses	(694)	(861)	(592)	(187)
	1,081	767	64	360

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

8) Income Tax

	Nine-month period ended September 30,					
	2020			2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Current income tax	4,388	1,955	6,343	2,577	11	2,588
Adjustments in respect of income tax of previous periods	32	-	32	11	13	24
Deferred tax related to origination and reversal of temporary differences	(1,942)	1,452	(490)	64	(2)	62
	2,478	3,407	5,885	2,652	22	2,674

	Three-month period ended September 30,					
	2020			2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Current income tax	2,412	(3)	2,409	603	(14)	589
Adjustments in respect of income tax of previous periods	2	-	2	3	6	9
Deferred tax related to origination and reversal of temporary differences	(652)	(3)	(655)	(20)	(212)	(232)
	1,762	(6)	1,756	586	(220)	366

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 Nine-month period ended September 30, 2020

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9) Acquisition and Disposal of Subsidiaries

Sale of IPSCO

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

	December 31, 2019	
ASSETS		
Current assets		
Cash and cash equivalents	225	
Trade and other receivables	1,961	
Inventories	15,874	
Prepayments and input VAT	318	
Prepaid income taxes	728	
Other financial assets	9	19,115
Non-current assets		
Property, plant and equipment	24,475	
Intangible assets	13,962	
Other non-current assets	238	38,675
TOTAL ASSETS		57,790
LIABILITIES		
Current liabilities		
Trade and other payables	4,946	
Advances from customers	22	
Provisions and accruals	742	
Interest-bearing loans and borrowings	25	
Lease liability	458	
Other liabilities	-	6,193
Non-current liabilities		
Interest-bearing loans and borrowings	3,201	
Lease liability	1,066	
Deferred tax liability	221	
Provisions and accruals	596	
Employee benefits liability	97	
Other liabilities	12	5,193
TOTAL LIABILITIES		11,386
Foreign currency translation reserve	49,535	
Accumulated loss on hedged net investments, net of tax	(43,513)	
TOTAL RESERVES	-	6,022

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

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

9) Acquisition and Disposal of Subsidiaries (continued)

The Group recognised the disposal of IPSCO as at January 2, 2020. The gain on sale of IPSCO after income tax was 20,463 and comprised of the following amounts:

	Nine-month period ended September 30, 2020
Sale consideration	63,437
Carrying amount of net assets sold (incl. cash in the amount of 225)	(45,589)
Gain on sale before income tax and reclassification of the foreign currency reserves	17,848
Income tax expense on gain	(3,407)
Reclassification of foreign currency translation reserve from equity	49,535
Net investment hedge reserves recycled from equity	(52,988)
Income tax recycled from equity	9,475
Gain on sale of the discontinued operation, net of tax	20,463

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

	Nine-month period ended September 30, 2019
Net cash flows from operating activities	2,719
Net cash flows used in investing activities	(2,016)
Net cash flows used in financing activities	(537)

Acquisition of Uralchermet

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

10) Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

	September 30, 2020	December 31, 2019
Russian rouble	30,645	13,233
US dollar	17,643	5,629
Euro	12,465	2,919
Romanian lei	35	23
Other currencies	34	95
	60,822	21,899

The above cash and cash equivalents consisted primarily of cash at banks. As at September 30, 2020, the restricted cash amounted to 227 (December 31, 2019: 774).

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11) Inventories

	September 30, 2020	December 31, 2019
Finished goods	13,054	10,930
Work in progress	21,653	21,911
Raw materials and supplies	22,369	24,607
	57,076	57,448
Allowance for net realisable value of inventory	(1,576)	(1,167)
	55,500	56,281

12) Property, Plant and Equipment

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

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Other	Construction in progress	TOTAL
Cost							
Balance at January 1, 2020	59,734	133,217	4,558	3,675	414	14,058	215,656
Additions	-	-	-	-	-	8,504	8,504
Assets put into operation	3,771	8,490	342	449	69	(13,121)	-
Disposals	(109)	(1,810)	(75)	(53)	-	(20)	(2,067)
Increase due to acquisition of subsidiaries	401	411	19	4	-	2	837
Reclassifications	-	(13)	2	11	-	-	-
Currency translation adjustments	2,091	5,502	466	91	11	241	8,402
Balance at September 30, 2020	65,888	145,797	5,312	4,177	494	9,664	231,332
Accumulated depreciation and impairment							
Balance at January 1, 2020	(15,510)	(78,625)	(1,677)	(2,338)	(103)	-	(98,253)
Depreciation charge	(1,301)	(7,509)	(315)	(294)	(15)	-	(9,434)
Disposals	45	1,557	69	50	-	-	1,721
Impairment	-	(4,257)	-	-	-	-	(4,257)
Reclassifications	-	11	(2)	(9)	-	-	-
Currency translation adjustments	(668)	(2,907)	(210)	(62)	(10)	-	(3,857)
Balance at September 30, 2020	(17,434)	(91,730)	(2,135)	(2,653)	(128)	-	(114,080)
Net book value at September 30, 2020	48,454	54,067	3,177	1,524	366	9,664	117,252
Net book value at January 1, 2020	44,224	54,592	2,881	1,337	311	14,058	117,403

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

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13) Trade and Other Payables

	September 30, 2020	December 31, 2019
Trade payables	27,732	38,923
Liabilities for VAT	11,470	6,122
Accounts payable for property, plant and equipment	4,255	4,084
Payroll liabilities	973	1,021
Accrued and withheld taxes on payroll	827	840
Liabilities for acquisition of interests in subsidiaries and ordinary shares of the Company	522	290
Liabilities for property tax	179	164
Dividends payable	65	7
Other payables	493	331
	46,516	51,782

14) Provisions and Accruals

	September 30, 2020	December 31, 2019
Current		
Provision for bonuses	1,288	1,483
Accrual for unused annual leaves	1,245	1,150
Current portion of employee benefits liability	127	125
Other provisions	1,370	689
	4,030	3,447
Non-current		
Accrual for unused annual leaves	31	38
Environmental provision	15	13
Provision for bonuses	13	5
	59	56

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

15) Interest-Bearing Loans and Borrowings

	September 30, 2020	December 31, 2019
Current		
Bank loans	38,808	37,697
Interest payable	1,495	1,024
Current portion of non-current borrowings	22,536	5,341
Current portion of bearer coupon debt securities	13,286	39,239
Unamortised debt issue costs	(22)	(57)
	76,103	83,244
Non-current		
Bank loans	77,590	90,728
Bearer coupon debt securities	54,054	10,000
Unamortised debt issue costs	(380)	(103)
	131,264	100,625

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

	September 30, 2020	December 31, 2019
Russian rouble	152,873	104,340
US dollar	42,523	69,733
Euro	11,971	9,796
	207,367	183,869

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15) Interest-Bearing Loans and Borrowings (continued)

Unutilised Borrowing Facilities

As at September 30, 2020, the Group had unutilised borrowing facilities in the amount of 68,482.

16) Fair Value of Financial Instruments

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

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

	September 30, 2020		December 31, 2019	
	Nominal value	Fair value	Nominal value	Fair value
Financial liabilities				
Long-term loans	85,126	85,142	91,058	91,370
6.75 per cent loan participation notes	-	-	30,953	31,219
4.3 per cent loan participation notes	39,842	39,229	-	-
Russian bonds	27,498	28,171	18,286	18,407

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

As at September 30, 2020, the EUR-denominated bank promissory notes with a maturity of less than 1 year were included as part of other financial assets in the amount of 25,305. The carrying amount of the promissory notes approximates their fair value.

17) Other Liabilities

The Group transferred some of its intercompany debts in exchange for cash under factoring arrangements. In the nine-month period ended September 30, 2020, the net cash outflows from these transactions amounted to 9,511 (nine-month period ended September 30, 2019: net cash inflows of 1,215). As at September 30, 2020, the Group does not have any liability in respect of these factoring transactions. As at December 31, 2019, the liability amounted to 9,511.

Other non-current liabilities as at September 30, 2020 included advances from customers in the amount of 31,727 (December 31, 2019: 20,548). The advances are presented with VAT in the amount of 5,282 as at September 30, 2020 (December 31, 2019: 3,425).

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18) Related Parties Disclosures

Compensation to Key Management Personnel of the Group

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

The compensation to key management personnel included:

- Wages, salaries, social security contributions and other short-term benefits in the amount of 1,156 (nine-month period ended September 30, 2019: 2,114).
- Provision for performance bonuses in the amount of 345 (nine-month period ended September 30, 2019: 133).

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

Transactions with the Parent of the Company

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

Transactions with Associates and Joint Ventures

The following table provides balances with associates and joint ventures:

	September 30, 2020	December 31, 2019
Loans issued	1,337	1,142
Trade and other receivables	26,345	12,568
Trade and other payables	106	137

The Group guaranteed debts of associates and joint ventures outstanding as at September 30, 2020 in the amount of 4,786 (December 31, 2019: 3,832).

Allowance for expected credit losses in respect of receivables and loans from associates and joint ventures amounted to 634 as at September 30, 2020 (December 31, 2019: 112).

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

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2020	2019	2020	2019
Purchases of other goods and services	462	643	126	158
Sales revenue	8,085	10,333	12	4,413
Finance income	62	62	21	22

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18) Related Parties Disclosures (continued)

Transactions with Other Related Parties

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

The following table provides balances with other related parties:

	September 30, 2020	December 31, 2019
Cash and cash equivalents	11,754	538
Loans issued	3,104	3,708
Trade and other receivables	5,422	1,695
Other prepayments	35	201
Lease liability	644	687
Trade and other payables	2,305	403

Allowance for expected credit losses in respect of receivables and loans from other related parties amounted to 5,501 as at September 30, 2020 (December 31, 2019: 5,281).

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

	Nine-month period ended September 30,		Three-month period ended September 30,	
	2020	2019	2020	2019
Finance costs	51	240	16	95
Purchases of raw materials	1,703	28,869	1,652	10,472
Purchases of other goods and services	1,532	1,091	404	374
Sales revenue	3,549	2,295	2,886	124
Finance income	278	345	108	147
Other income	133	132	46	40

19) Contingencies and Commitments

Russian Business Environment

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

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

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

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19) Contingencies and Commitments (continued)

Taxation

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

Contractual Commitments

The Group had contractual commitments for the acquisition of property, plant and equipment from third parties in the amount of 5,277 as at September 30, 2020 (December 31, 2019: 4,668). Contractual commitments were expressed net of VAT.

As at September 30, 2020, the Group had advances of 899 with respect to commitments for the acquisition of property, plant and equipment (December 31, 2019: 878). These advances were included in other non-current assets.

Under contractual commitments disclosed above, the Group opened unsecured letters of credit in the amount of 935 (December 31, 2019: 1,284).

Insurance Policies

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

Legal Claims

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

20) Equity

i) Share Capital

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

PAO TMK

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

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

20) Equity (continued)

ii) Acquisition of Non-controlling Interests in Subsidiaries

In the nine-month period ended September 30, 2020, the Group purchased additional shares of TMK-Artrom S.A., “Sinarsky Pipe Plant”, JSC, “Seversky Pipe Plant”, JSC and “Taganrog Metallurgical Plant”, JSC for the total consideration of 906. The difference between the purchase consideration and the carrying amount of non-controlling interest acquired was recorded in additional paid-in capital (if negative) and in retained earnings (if positive).

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

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

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

In April 2020, the Board of Directors approved a program to purchase back ordinary shares of PAO TMK and the subsequent cancellation of the listing of the global depository receipts on the London Stock Exchange following the completion of the program. The program to purchase ordinary shares was carried out by “Volzhsky Pipe Plant”, Joint stock company (“VTZ”), a wholly-owned subsidiary of PAO TMK, by way of a voluntary tender offer under Russian law. The voluntary offer was made on May 18, 2020 for 358,758,064 of the issued and outstanding ordinary shares of PAO TMK, which represent all of the issued and outstanding ordinary shares of the Company other than the ordinary shares held by VTZ and other Group companies, TMK Steel Holding Limited (the Parent of the Company) and senior management of the Group companies. The period for acceptance of the voluntary tender offer was 70 days from May 18, 2020 (i.e. from May 19, 2020 until July 27, 2020 (the “Expiration date”), inclusively). The purchase price of ordinary shares was 61 Russian roubles per ordinary share. The Group recognised the liability under the voluntary tender offer for 358,758,064 ordinary shares of PAO TMK that were eligible to participate in the offer with the corresponding charge to other reserves in the statement of changes in equity in the amount of 21,960 (including transaction costs). As a result of the offer, that expired in July 2020, the Group acquired 229,958,764 ordinary shares of PAO TMK for 14,389 (including transaction costs). The liability for the remaining amount was reversed with the corresponding adjustment to other reserves.

v) Purchase of Ordinary Shares of PAO TMK

In September - October 2020, the Group purchased back ordinary shares of PAO TMK by way of concluding transaction off and on the regulated market of Moscow Exchange. The purchase price of ordinary shares was 61 Russian roubles per ordinary share. As a result, the Group acquired 29,800,668 ordinary shares of PAO TMK, of which 23,997,155 were acquired in September 2020. As at September 30, 2020, the Group recognised 1,464 (including transaction costs) in relation to the shares acquired in the reporting period.

PAO TMK

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

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

21) Subsequent Events

Acquisition of Subsidiaries

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 Parus, LLC. Parus, LLC is a casting and rolling complex, located in Yartsevo, Smolensk Region, with a production capacity of more than 300 thousand tonnes of rolled steel per year. As of the date of publication of these interim condensed consolidated financial statements, the purchase price allocation is still in progress.

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. 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. As of the date of publication of these interim condensed consolidated financial statements, the purchase price allocation is still in progress.

Dividends Declared by the Company to its Shareholders

On November 26, 2020, the general shareholders' meeting approved dividends for the first half of 2020 in the amount of 3,099,406 thousand Russian roubles or 3 Russian roubles per share.

Sale of Treasury Shares of PAO TMK

In December 2020, the Group signed the Share purchase agreement with TMK Steel Holding Limited, 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.