INTERPIPE HOLDINGS PLC

Consolidated Financial Statements
Year ended 31 December 2019 together with

Independent Auditor's Report

INTERPIPE

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The directors present their Report together with the accompanying Consolidated Financial Statements (the "Consolidated Financial Statements") of Interpipe Holdings PLC (referred to herein as the "Company") and its subsidiaries (collectively referred to herein as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Principal Activity and Subsidiaries

The Company was incorporated as a limited liability company under the name of Interpipe Holdings Limited in accordance with the Companies Law of Cyprus on 4 April 2019. It was changed to a public company with limited liability under the Laws of Cyprus and renamed to Interpipe Holdings PLC on 24 July 2019. The registered office and the principal place of business of the Company is Mykinon 8, P.C. 1065 Nicosia, Cyprus.

In the course of the legal reorganization of the Group, as disclosed in Notes 1, 31 and 32 to the accompanying Consolidated Financial Statements, the Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity, Interpipe Limited (the "Former Parent"). As a result of the Restructuring implementation and New Notes issuance, as discussed in Notes 2 and 19, the Company became a listed entity.

The Company operates through a number of subsidiaries in various jurisdictions (the list of the subsidiaries is disclosed in Note 32 to the accompanying Consolidated Financial Statements) and has concentration of its business in Ukraine, where its production subsidiaries are located.

The principal activity of the Company is holding ownership interests in its subsidiaries, their financing and strategic management. The Group's activities comprise design, manufacture and distribution of steel tubes, solid-rolled railway wheels and steel billets.

Development and Performance of the Business

The Group is the largest vertically integrated manufacturer of steel billets, steel pipes and railway wheels in Ukraine. The vertical integration secures cost control and global competitive advantage, leading position in cost amongst peers and performance in line with market leaders. Besides, it allows successful scaling of the production across all segments with preservation of low cost base. The Group is a significant player in (i) the steel pipes international market supplying its products to customers in more than 70 countries globally, and (ii) in the railway wheels market being the number one wheels' exporter in the world, with presence in more than 20 countries globally and sizable market share in every important geographical region.

Since the political and economic crisis in Ukraine and global collapse of oil prices in 2014 the Group worked to maintain its operation amid fairly turbulent economic and geopolitical conditions in all major markets. In response to the negative trends, through 2016 and 2017 Interpipe has developed and started implementation of the major strategic initiatives to transform its operational set up, maintain the Group's liquidity position and its operational sustainability and improve its competiveness in a short and longer term. In 2018 and 2019 Interpipe continued transformation, notably through the establishment of a new organisational structure where Interpipe has started to be organised into three separate divisions: Steelmaking, which converts and delivers the raw material for the other two divisions, Pipes and Railway Wheels.

Such initiatives include inter alia a strategic investment programme, which aims to increase capacity for pipes and railway wheels production, to improve significantly quality of the products produced and to enable Group to focus technologically on the market segments with higher margins and stay competitive in existing and new segments of the tubular and wheels goods' markets. By improving quality and production capacity, Interpipe aims to keep pace with the growing technical requirements of oil companies, increase its share / coverage of the full production range in OCTG API premium market (successful introduction and growing sales of Interpipe's proprietary premium connection (UPJ-M) in Ukraine and Middle East / North Africa region (MENA)) and further promote quality-centric culture. Interpipe has also invested in additional wheels finishing capacities to expand its product mix and de-bottleneck production of more complex and lucrative products primarily for the European market. Interpipe continues investing in axle production and wheelset assembling capacities expanding its presence in this market niche and evaluates the practical steps to enter the passenger and high-speed wheels markets in the European Union and Asia. To support the advanced technological expansion agenda as well as to maintain cost leadership position of the Pipes and Railway Wheels divisions, the Steelmaking division develops new steel grades billets products to support premium OCTG and complex wheels products' sales.

One of the strategic initiatives in developing of its European market lead Interpipe to enter in 2018 into the Joint Venture with Vallourec Tubes S.A.S., a global leader in manufacturing of premium tubular solutions, which establishes new quality standards, improves technical expertise.

Currently, the Group observes various indicators of potentially softening demand in strategic export pipes markets (the USA, European Union and MENA markets) within 2020-2021. Given the above market conditions the Group expects: (a) to exploit its key competitive edge of being a comparatively lower cost producer and (b) expand it sales volumes of products with higher margin (OCTG pipes with premium and semi-premium connections) to the USA and the MENA markets. Railway wheels demand in the CIS market has peaked to an extra-high level recently due to wheels shortages at key off-takers and is considered not sustainable at this level in the long run. At the same time, the CIS and other wheels markets are now being limited by production capacities and they can be boosted materially when and if sales in the CIS market would eventually fall.

As further discussed in Notes 2 and 19, the financial results of the Group in 2019 were largely determined by completion of the restructuring of its debt obligations resulted in the gain of USD 863.5 million. In addition to that, owing to good conditions across the key strategic markets and as a result of the different strategic initiatives in 2019 (and 2018), the Group delivered sound operational performance (see Note 6 for EBITDA dynamics) and strong financial results: the Group generated revenue from sales of USD 1,122.4 million (and USD 1,074.2 million). The Pipes business segment accounted for 59 per cent. of the revenue from sales, the Railway Wheels business segment accounted for 38 per cent. of the revenues and the Steelmaking segment accounted for 2 per cent. of the revenues in 2019. Further segment information is disclosed in Note 6 to the accompanying Consolidated Financial Statements.

Principal Risks and Uncertainties

The Group is largely exposed to the risks of operating environment in Ukraine. The country continues to experience the consequences of the political and economic turmoil, which broke in 2014. Bilateral relations with the Russian Federation remain damaged over the annexation of Crimea by the latter and its alleged role in the continuing support of separatists in certain parts of the Donetsk and Lugansk regions. Signing of the Association Agreement between Ukraine and the European Union in 2014 caused the Russian Federation to implement various trade barriers, including embargos, for key Ukrainian export products with the Group's ones among them. All these events resulted in higher inflation in the country, devaluation of the national currency against major foreign currencies, illiquidity of the financial and capital markets, deterioration of public finances. The ultimate outcome of the political and economic instability in Ukraine and its impact are difficult to predict, but it may have further negative implications on the Ukrainian economy and Group's operations.

The Group's business is dependent on fluctuations in prices for steel products globally. The steel industry has experienced declines in pricing in recent years largely due to the construction sector crisis in China, along with an increased overcapacity in the Chinese steel sector, which depressed global steel prices due to oversupply in 2015 and 2016. As a result, during these years, there was a decrease in overall demand for the Group's pipes and railway wheels products. While steel prices have since recovered, driven by an improvement in overall demand, no assurance can be given that economic conditions will not deteriorate again with resulting adverse effects on steel prices. The deceleration of steel demand growth has also resulted in global overcapacity of steel production, which has led to reduced capacity utilisation rates and, in some cases, closures of production capacity. Future sales volume growth for the Group remains largely dependent on the development of the Pipes and Railway Wheels divisions and any economic downturns or force majeure events, including the recent panic reaction to the outbreak of the novel coronavirus (COVID-19) (the "coronavirus") in China or unwinding of the OPEC-Russia dispute over the global oil supply quotas determination driving the oil prices to historical lows (the "failed OPEC negotiations"), that may cause a global lack of demand for steel products, or an oversupply of steel products due to industry's overcapacity generally, or, in specific sectors, could result in a lack of demand for the Group's products and/or a decline in realised prices, any of which would materially and adversely affect the Group's business, results of operations and financial condition.

The principal consumer of steel pipes products worldwide is the oil and gas industry, accounting for a significant portion of the Group's pipes sales. The demand for Group's pipes products depends, among other factors, on the prevailing prices for oil, the level of capital spending by major oil and gas companies, the number of oil and gas wells being drilled, as well as on the construction of pipelines to service these wells. Recent downturns in the oil and gas markets, beginning with a collapse in the price of Brent oil in 2014 to circa U.S.$30/bbl and the subsequent decrease in global exploration and production spending by approximately 23 per cent. and rig count by 31 per cent. between 2015 to 2016, combined with the partial closure of the Russian market and the Ukrainian economic crisis, led to a sharp decrease in overall demand for the Group's pipes products. While the price of Brent oil has recovered during 2017-2019, oil prices have again declined sharply in 2020, largely as a result of both realised and anticipated reduction in global oil demand due to the impact of the coronavirus outbreak and /or oil price contraction due to the failed OPEC negotiations. If economic deteriorations in the oil and gas industry experienced in late 2014 were to reoccur, this could once again reduce the Group's customers' levels of expenditures, reduce demand for the Group's pipes products and have a material and adverse effect on the Group's business, results of operations and financial condition.

The Group's railway wheels products are sold to manufacturers of railway wagons and wagon maintenance sector. Demand for wagons and wagon maintenance, is, in turn, determined by underlying economic conditions in the relevant markets and rail transportation volumes. In certain markets demand also follows wheels replacement cycles for existing wagons, which are, in turn, driven by mandatory repair periods. Although the Group's management seeks to broaden its customer base for wheels products, it will remain significantly dependent on demand for its wheels products in the Russian and Ukrainian markets. Ukraine's railway wagon manufacturing market has contracted significantly in recent years, as Russia has limited imports of Ukraine-built rolling stock, and internal demand has declined due to the difficult economic conditions. Despite a recovery in sales volumes of wheels products within Ukraine experienced by the Group since 2017 due to modernisation projects and demands for railcars and wheels, the Group's management does not expect this recovery to be sustained, and a further significant decline in demand for its wheels products from Ukrainian customers, if such decline occurs, or from other markets (including those in the European Union) would have a material and adverse effect on the Group's business, results of operations and financial condition. Although the Group has benefited from the deficit in wheels products in Russia since 2017, there is no guarantee this situation will continue.

The Group operates in a highly competitive (primarily based on price, quality and service) global market for steel pipes, particularly in the oil and gas sector. In its home market of Ukraine, the Group's pipes shipments face competition from global manufacturers (including Chinese producers), which may have significantly larger overall manufacturing bases and financial resources. In the rest of the world, the Group faces intense competition from incumbent producers and global players, with key competitors varying depending on the market, local product demand and other factors. As a result, the Group may not be able to compete effectively against existing or potential producers and preserve its current shares of geographical or product markets, which could adversely affect the Group's business, results of operations and financial condition.

The Group generates a material portion of its sales from a limited number of customers, and the loss of any of these customers, or any significant loss of business from these customers or failure by such customers to pay for the Group's products could adversely affect the Group. The loss of one or more of the Group's customer or a reduction in their capital or operating expenditure budgets or if they were to cease operations, could adversely affect demand for the Group's products, which could have a material adverse effect on the Group's business, results of operations and financial condition. The Group considers current trend to reduce local natural gas production and drilling programs in Ukraine as a temporary measure and expects a policy of the Ukrainian energy self-sufficiency to be preserved in a longer run due to its pervasive importance for the country.

In the steelmaking sector, the Group's continued ability to source local scrap could be at risk due to the scarcity of supply, compounded by competition from other domestic steel producers, as well as competition from iron ore-based billet suppliers from around the world. Most of the Group's principal competitors in each segment have significantly greater financial and production resources, and many of them benefit from additional economies of scale or vertical integration. As a result, the Group's principal competitors often benefit from lower cost or production, higher availability of capital resources for investment in new capacities or to maintain existing plants and may therefore be able to offer better pricing terms to their customers compared to the Group. The price that the Group pays for scrap metal in Ukraine is generally favourable. Favourable scrap metal prices are due in part to long-term relations with Ukrainian scrap suppliers, duties imposed on the export of Ukrainian scrap metal and generally high costs of transporting scrap metal over long distances. The Group's cost of production is also largely dependent on wholesale electricity prices in Ukraine which have been increasing in recent years, driven in part by declining subsidies and, in part, by the government policy of increasing the share of renewable electricity production in the domestic supply mix and the guaranteed higher tariffs granted to renewable generating plants. The electricity prices may continue to increase, particularly as Ukraine takes further steps to liberalise its domestic wholesale market in line with the package of reforms required by the International Monetary Fund (the "IMF"). In the event that Ukrainian export restrictions on scrap were to be removed, the prices that the Group pays for scrap metal could increase; and/or the wholesale electricity prices increase due to ongoing domestic energy market liberalization. While the Group has historically been able to pass a large portion of its raw material cost increases to its customers by increasing selling prices, there can be no assurance that the Group will continue to be able to do so in the future, which could adversely affect the Group's business, results of operations and financial condition.

All of the Group's principal production facilities are located in Ukraine, with over 70 per cent. of the Group's revenue in each of 2019 and 2018 having been obtained from export sales. As a result, the Group is subject to protective tariffs, duties and quotas imposed by certain countries into which the Group exports its steel products, which could reduce its competitiveness in, and limit its access to, certain markets. The Group's future sales in any of its key markets could be affected by these evolving trade restrictions. When new measures are introduced by any country, even if these measures do not immediately impact the Group, the retaliating steps taken by other countries could subsequently affect the sales of Group's products. Further, existing tariffs could be increased or additional duties or import tariffs introduced that directly impact the Group's sales.

As at 31 December 2019, the Group's net equity was reinstated and amounted to USD 449.2 million (being net equity deficit of USD 669.5 million, as at 31 December 2018) – as a result of the financial restructuring completion and, to a certain extent, macroeconomic stabilization in Ukraine as well as the favourable balance in the Group's operating environment development. Further discussion on the operating environment and related risks of the Group as well as the Group's financial restructuring completion and going concern considerations are included in Note 2 to the Consolidated Financial Statements.

Other principal operating and financial risks of the Group are discussed in Notes 34 and 36 to the accompanying Consolidated Financial Statements.

Main Strategic Objectives

The Group's key strategic objectives are to diversify its geographical presence and product mix in order to enhance its position as a leading producer of pipes and wheels in the CIS region and to expand presence of its products in the global markets. The Group intends to pursue this strategy by increasing its seamless pipes and railway wheels production, enhancing its product mix, improving quality of its products and services, expanding its global presence and working more closely with its customers to deliver higher value-added products and services while improving profit margins. The Group has launched its strategic investment programme which should enable our products to meet more challenging and demanding quality requirement in the new markets. The success of this initiative is viewed as the key success factor for the Group in penetrating new markets and diversifying the customer base to compensate for a significant reduction of demand in our traditional geographical segments, in particular in CIS.

The directors believe that debt restructuring process completion and implementation in 2019 secured reduction of the Group debt level and contributed to the sustainability of Group's capital structure, supporting our long-term business strategy and allowing the Group to focus on managing various other business risks in the current uncertain and volatile environment. For more information on operating environment and risks of the Group, refer to Note 2 to the accompanying Consolidated Financial Statements.

Research and Development

Except for the strategic initiatives as described above, in 2019, the Group did not carry out any material research and development activities meeting capitalization criteria under IFRS.

Issued Capital and Capital Distributions

Details of the Company's equity accounts formation and changes are disclosed in Note 31 to the Consolidated Financial Statements.

Information relating to dividends payable by the subsidiaries is disclosed in Note 21 to the Consolidated Financial Statements.

Board of Directors

As at 31 December 2019 composition and responsibilities of the Company's Board of Directors was as follows:

Name	*Function*	*Date of initial appointment to the Board of Directors of Interpipe Limited**
Andrii Dudnyk	Non-Executive Director	15 October 2007
Ganna Khomenko	Non-Executive Director	9 December 2009
Yakiv Konstantynivs'ky	Non-Executive Director	20 July 2011
Iuliia Chebotarova	Non-Executive Director	10 October 2012
Philippe Bideau	Independent Non-Executive Director	15 June 2016
Fadi Khraybe	Chief Executive Officer of Interpipe Holdings PLC	1 November 2016
Oleksandr Kirichko	Non-Executive Director	1 December 2018

* On 2 November 2019, the Board of Directors of Interpipe Holdings PLC was formed retaining substantially the same composition as the Board of Directors of Interpipe Limited.

There being no requirement in the Company's Articles of Association for the retirement of the Directors by rotation, the respective Directors presently members of the Board continue in the office.

The following changes occurred in Board of Directors' constitution and responsibilities allocation during the year and up to the date of this report:

- In March 2019, Michael Tsarev, Non-Executive Director of Interpipe Limited Board of Directors resigned;
- In May 2019, Ulrich Becker, Independent Non-Executive Director of Interpipe Limited Board of Directors resigned.

There were no changes in the assignment of responsibilities and remuneration of the Board of Directors during the year and up to the date of this report.

Events after the Reporting period

Events after the reporting period date are disclosed in Note 37 to the Consolidated Financial Statements.

Independent Auditors

The independent auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Signed and authorised for issue on behalf of the Board of the Company:

Member of the Board, Chief Executive Officer — Fadi Khraybe

Member of the Board, Non-Executive Director — Andrii Dudnyk

17 March 2020

INTERPIPE HOLDINGS PLC

STATEMENT OF THE DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

INTERPIPE

The following statement is made with a view to specifying the respective responsibilities of the directors and management in relation to the Consolidated Financial Statements of Interpipe Holdings PLC and its subsidiaries (collectively referred to as the "Group").

The directors and management are responsible for the preparation of the Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2019 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter "IFRS") and the Cyprus Companies Law, Cap.113.

In preparing the Consolidated Financial Statements, the Directors and management are responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- preparation of the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Directors and management, within their competencies, are also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions of countries of incorporation;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The Consolidated Financial Statements for the year ended 31 December 2019 were authorised for issue on 17 March 2020.

Member of the Board, Chief Executive Officer Fadi Khraybe

Member of the Board, Non-Executive Director Andrii Dudnyk

17 March 2020

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Independent Auditor's Report

To the Members of Interpipe Holdings Plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Interpipe Holdings Plc (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Ernst & Young Cyprus Ltd is a member firm of Ernst & Young Global Ltd.
Ernst & Young Cyprus Ltd is a limited liability company incorporated in Cyprus with registration number HE 222520. A list of the directors' names is available at the company's registered office, Jean Nouvel Tower, 6 Stasinou Avenue, 1060 Nicosia, Cyprus.
Offices: Nicosia, Limassol.

Key audit matter	*How our audit addressed the key audit matter*
Deferred tax assets	
As at 31 December 2019, the Group has significant balances of deferred tax assets on the loss carry-forwards. The measurement of the deferred tax assets was one of the matters of the most significance to our audit due to the significant amount of these assets recognised and the judgmental assumptions about future taxable profits that are affected by expected future market or economic conditions as disclosed in Note 2 to the consolidated financial statements. The information on the deferred tax assets the Group is disclosed in Note 12 to the consolidated financial statements.	Our audit procedures included, among others, analysis of the management's assumptions used to determine the probability that the deferred tax assets recognized in the consolidated financial statements will be recovered through taxable income and/or offset with deferred tax liability in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. We involved our tax expert to assist us in our audit work. We analysed the assumptions and forecasts used in the business model of the Group and compared them with available information from the steel market and general forecasts of the economy growth. We also analysed the disclosures about deferred tax assets presented in the Group's consolidated financial statements.
Debt restructuring process	
On 25 October 2019 the Group completed debt restructuring process. As a result of the restructuring, the Group's existing debt has been partially forgiven and the remaining debt modified and replaced by the series of new notes and several new loan facilities. The new notes contain significant derivative element. Derecognition of the old debt and recognition of the new debt are significant to the consolidated financial statements. In addition, as disclosed in Note 19 to the consolidated financial statements, calculation of derivative elements requires significant judgements to be made by the management. Consequently, this matter is one of the matters of the most significance to our audit.	We obtained the calculations of the restructuring effects prepared by the Group and performed the following procedures: • We have checked that the extinguished liabilities due to the creditors were derecognized and the new liabilities recognized; • We have analyzed the fair value of the newly recognized liabilities; • We have checked mathematical accuracy of the calculation of the financial result of the debt restructuring; • We have assessed the classification of the financial result of the restructuring in the consolidated statement of comprehensive income; • We analysed the restructuring costs and fees recognised, compared their amounts to the underlying restructuring agreements and assessed their treatment and classification in the consolidated financial statements. We analyzed classification, presentation and disclosure of debt restructuring and its effects in the consolidated financial statements.

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Revenue recognition

The amount of revenue is material to the consolidated financial statements. Revenue is the Group's key performance measure, which gives rise to a risk that revenue may be misstated in order to achieve performance targets. For this reason, and additionally due to the risk of untimely recognition of revenue from shipments that occurred at the end of the reporting period, we identified revenue recognition as a one of the matters of the most significance to our audit.

The Group's disclosure in respect of the accounting policies on revenue recognition is included in Note 4 to the consolidated financial statements, and revenue by segment disclosure is included in Note 6 to the consolidated financial statements.

We have performed the following audit procedures among others:

- we assessed the Group's accounting policy in respect of revenue recognition; we focused on analysis of meeting the criteria for revenue recognition;
- we analyzed sales contracts terms in respect of transfer of control. On a sample basis, we compared the date of transfer of control in accordance with supporting documents with the date of revenue recognition;
- on a sample basis we obtained confirmations of accounts receivable balances from customers. We tested a sample of revenue and sales returns transactions before and after the year end and compared the period when transaction occurred with the period when it was recorded;
- we analyzed sales turnover, both in monetary and physical terms, including margin analysis and analysis of correlation of sales revenue and cost of sales, analysis of subsequent sales returns;
- we analyzed monthly sales to detect unusual fluctuations by type of goods and services and compared this information with prior periods and anticipated results of the Group;
- We analyzed the disclosures in the consolidated financial statements in respect of revenue.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management's Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

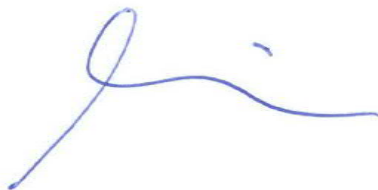
Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the consolidated Management's Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated Management's Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Gabriel Onisiforou.



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

Nicosia
17 March 2020

A member firm of Ernst & Young Global Limited

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(in US dollars and in thousands)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3, 8	602,233	515,446
Intangible assets and goodwill	9	3,453	2,584
Investments in associates	10	1,222	1,201
Investment in joint venture	11	2,861	3,230
Deferred tax assets	12	35,966	2,024
Prepaid income tax		186	1,867
Other non-current assets		256	180
		646,177	**526,532**
Current assets			
Inventories	13	195,000	155,367
Trade and other accounts receivable	14	120,255	106,372
Prepayments and other current assets	4, 15	29,592	38,695
Prepaid current income tax		3,378	132
Taxes recoverable, other than income tax	16	17,597	18,587
Cash and cash equivalents	17	256,148	130,884
		621,970	**450,037**
TOTAL ASSETS		**1,268,147**	**976,569**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital, net of unpaid		5	62,304
Share premium		94,277	426,065
Revaluation reserve		411,166	434,151
Retained Earnings / (Accumulated deficit)		1,032,515	(281,229)
Cash flow hedge reserve	36	(83,689)	(183,283)
Foreign currency translation reserve		(1,018,198)	(1,132,256)
		436,076	(674,248)
Non-controlling interests		13,132	4,749
Total equity	31	**449,208**	**(669,499)**
Non-current liabilities			
Subordinated Loan	18	42,462	59,938
Long-term borrowings	3, 19	296,449	-
Deferred tax liabilities	12	20,741	21,602
Provisions	20	35,609	25,176
		395,261	**106,716**
Current liabilities			
Current portion of the long-term borrowings and interest accrued and payable	4, 19	122,560	1,376,570
Trade and other accounts payable	3, 4, 21	59,718	67,861
Advances and other current liabilities	22	150,362	40,947
Current income tax payable		12,612	6,290
Taxes payable, other than income tax	23	4,156	4,405
Provisions	20	74,270	43,279
		423,678	**1,539,352**
Total liabilities		**818,939**	**1,646,068**
TOTAL EQUITY AND LIABILITIES		**1,268,147**	**976,569**

Member of the Board, Chief Executive Officer Fadi Khraybe

Member of the Board, Non-Executive Director Andrii Dudnyk

17 March 2020

The Notes presented on pages 18 - 74 form an integral part of the Consolidated Financial Statements

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US dollars and in thousands)

	Notes	2019	2018
Revenue	6	1,122,362	1,074,157
Cost of sales	24	(809,953)	(803,960)
Gross profit		**312,409**	**270,197**
Selling and distribution expenses	25	(136,936)	(155,796)
General and administrative expenses	26	(43,514)	(51,145)
Other operating income and expenses, net	27	3,847	405
Operating foreign exchange difference	28	(52,796)	(8,486)
Operating profit		**83,010**	**55,175**
Gain on the Restructuring, net of (costs)	19, 4	863,453	(6,287)
Finance income	29	2,783	1,510
Finance costs	30, 4	(130,944)	(132,745)
Non-operating foreign exchange difference	28	(2,653)	9,192
Share of loss of joint venture	11	(369)	-
Share of (loss) / profit of associates	10	(163)	35
Profit / (loss) before tax		**815,117**	**(73,120)**
Income tax benefit	12	13,539	25,141
Profit / (loss) for the year		**828,656**	**(47,979)**
Profit / (loss) attributable to:			
Equity holders of the parent		821,835	(48,027)
Non-controlling interests		6,821	48
		828,656	**(47,979)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil:			
Net effect on cash flow hedge accounting	36	99,594	65,569
Exchange differences on translation of foreign operations	36	115,592	(10,052)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of income tax effect of nil:		**215,186**	**55,517**
Other comprehensive income /(loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on defined benefit plans	20	(2,247)	(1,551)
Income tax effect	12	370	280
		(1,877)	(1,271)
Revaluation of property, plant and equipment	8	-	224,111
Income tax effect	12	-	(40,340)
		-	183,771
Share of other comprehensive income of an associate	10	-	247
		-	247
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**(1,877)**	**182,747**
Other comprehensive income for the year, net of tax:		**213,309**	**238,264**
Total comprehensive income attributable to:			
Equity holders of the parent		1,033,610	188,225
Non-controlling interests		8,355	2,060
		1,041,965	**190,285**

The Notes presented on pages 18 – 74 form an integral part of the Consolidated Financial Statements

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US dollars and in thousands)

	Attributable to equity holders of the parent								
	Issued capital, net of Unpaid	**Share premium**	**Revaluation reserve**	**Retained Earnings/ (Accumulated deficit)**	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
At 1 January 2018	**62,304**	**426,065**	**269,387**	**(249,173)**	**(248,852)**	**(1,122,204)**	**(862,473)**	**2,689**	**(859,784)**
Loss for the year	-	-	-	(48,027)	-	-	(48,027)	48	(47,979)
Other comprehensive income / (loss) (Note 20, 36)	-	-	182,006	(1,271)	65,569	(10,052)	236,252	2,012	238,264
Total comprehensive income / (loss)	**-**	**-**	**182,006**	**(49,298)**	**65,569**	**(10,052)**	**188,225**	**2,060**	**190,285**
Depreciation transfer	-	-	(17,242)	17,242	-	-	-	-	-
At 31 December 2018	**62,304**	**426,065**	**434,151**	**(281,229)**	**(183,283)**	**(1,132,256)**	**(674,248)**	**4,749**	**(669,499)**
Group reorganization (Note 2, 31, 32)									
The Former Parent equity elimination	(62,304)	(426,065)	-	488,341	-	-	**(28)**	**28**	**-**
The Company equity contribution	5	94,277	-	(44,282)	-	-	**50,000**	**-**	**50,000**
	5	**94,277**	**434,151**	**162,830**	**(183,283)**	**(1,132,256)**	**(624,276)**	**4,777**	**(619,499)**
Profit for the year	-	-	-	821,835	-	-	821,835	6,821	828,656
Other comprehensive income (Note 12, 20, 36)	-	-	-	(1,877)	99,594	114,058	211,775	1,534	213,309
Total comprehensive income	**-**	**-**	**-**	**819,958**	99,594	**114,058**	**1,033,610**	**8,355**	**1,041,965**
Subordinated Loan re-measurement (Note 18)	-	-	-	26,742	-	-	26,742	-	26,742
Depreciation transfer	-	-	(22,985)	22,985	-	-	-	-	-
At 31 December 2019	**5**	**94,277**	**411,166**	**1,032,515**	**(83,689)**	**(1,018,198)**	**436,076**	**13,132**	**449,208**

Share premium is not available for distribution.

INTERPIPE HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US dollars and in thousands)

	Notes	2019	2018
Profit/ (Loss) before tax		**815,117**	**(73,120)**
Adjustments for:			
Depreciation and amortisation	24, 25, 26	65,580	44,663
Effect of revaluation of property, plant and equipment	27	-	(11,299)
Loss on disposal of property, plant and equipment and intangible assets	27	1,555	3,358
Non-cash movements in cost of sales	27	987	2,059
Reclassification of foreign exchange cash flow hedge to cost of sales	24	54,695	57,214
Gain on the Restructuring	19	(863,453)	6,287
Finance costs	30	130,944	132,745
Finance income	29	(2,783)	(1,510)
Movement in provisions, less interest cost		7,175	59,440
Share of profit of associates	10	163	(35)
Share of profit of joint venture	11	369	-
Foreign exchange difference		55,286	(7,856)
Operating cash flows before working capital changes		**265,635**	**211,946**
Decrease / (increase) in inventories		3,124	(53,950)
Decrease / (increase) in trade and other accounts receivable		161	(37,353)
Decrease / (increase) in prepayments and other assets		7,727	(2,507)
Decrease / (increase) in taxes recoverable, other than income tax		3,296	(6,182)
Decrease in trade and other accounts payable		(27,661)	(4,184)
(Decrease) / increase in taxes payable, other than income tax		(798)	2,221
Increase in advances and other current liabilities		93,489	11,161
Cash generated from operations		**344,973**	**121,152**
Income tax paid		(15,870)	(3,646)
Interest paid		(140,510)	(5,831)
Net cash inflow from operating activities		**188,593**	**111,675**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		(59,847)	(43,792)
Proceeds from sale of property, plant and equipment		1,581	40
Investment in joint venture	11	-	(3,230)
Interest received		2,784	1,572
Net cash outflow from investing activities		**(55,482)**	**(45,410)**
Cash flows from financing activities			
Repayments of borrowings		(68,308)	(929)
Equity contribution		50,000	-
(Placement on) / release from restricted cash accounts		-	(3,369)
Net cash outflow from financing activities		**(18,308)**	**(4,298)**
Net increase in cash and cash equivalents		114,803	61,967
Net foreign exchange difference		10,461	(1,336)
Cash and cash equivalents at period beginning		**130,884**	**70,253**
Cash and cash equivalents at period end	17	**256,148**	**130,884**

For the non-cash transactions in relation to equity transactions, please refer to note 31 to the consolidated financial statements.

1. Corporate information

The accompanying Consolidated Financial Statements of Interpipe Holdings PLC (the "Company") and its subsidiaries (collectively, the "Group") as at 31 December 2019 and for the year then ended were authorized for issue in accordance with the Company's Board Resolution on 17 March 2020.

The Company was incorporated as a limited liability company under the name of Interpipe Holdings Limited in accordance with the Companies Law of Cyprus on 4 April 2019. It was changed to a public company with limited liability under the Laws of Cyprus and renamed to Interpipe Holdings PLC on 24 July 2019.

In the course of the legal reorganization of the Group (Note 31, 32), the Company became a successor and a new reporting entity of the same pool of companies under common control previously consolidated under the predecessor reporting entity, Interpipe Limited (the "Former Parent"). The most recent consolidated financial statements of the Former Parent have been issued for the financial year ended 31 December 2018. The Former Parent was incorporated as a limited liability company under the name of Ramelton Holdings Limited in accordance with the Companies Law of Cyprus on 30 December 2005. It was renamed to Interpipe Limited on 15 May 2007.

The registered office and principal place of business of the Company (as well as of the Former Parent) is Mykinon 8, P.C. 1065 Nicosia, Cyprus.

The share capital of the Company was allocated in substantially the same proportions amongst the same shareholders which previously held 100% of the Former Parent shares. Prior to 25 October 2019 (the "Restructuring Effective Date"), the Company's equity was paid by the shareholders by means of the Former Parent's shares contribution into the share capital of the Company (Note 31). The Company holds (as well as the Former Parent held) ownership interests in a number of subsidiaries registered in various jurisdictions (Note 32) with concentration of the Group's business in Ukraine, where its production facilities are located.

The principal business activities of the Group are described in more detail in Note 6. Average number of employees for the year 2019 and 2018 equaled to 9.7 thousand and 10.8 thousand, respectively.

2. Operating environment and risks of the Group

The Consolidated Financial Statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation (in particular in 2014-2018) and a significant level of domestic and foreign state debt.

Following the significant decline in 2014 – 2016, the Ukrainian economy started to demonstrate certain signs of recovery and growth. Main risks affecting the sustainability of the emerging economic trends are represented by the continuing tensions in geopolitical relations with the Russian Federation; lack of the clear consensus as to the directions of the institutional reforms, including public administration, judiciary system and reforms in core sectors of the economy; acceleration of labour emigration and low level of capital inflow.

Since 2017 Ukrainian economy is showing signs of recovery from the structural crisis of previous years. The year-on-year inflation rate has decreased to 4.1% during 2019 (as compared to 9.8% in 2018 and 13.7% in 2017), while GDP continued to grow at 3.3% (after 3.4% and 2% growth in 2018 and 2017, respectively). In addition, 2019 was a yet another successful year for the monetary policy, which led to the stabilisation and revaluation of the national currency. The National Bank of Ukraine ("NBU") continues its inflation targeting policy and periodically changed its refinancing rate up from 12.5% in May 2017 to 18.0% in September 2018 and down to 13.5% in December 2019 with further reduction to 10.0% in March 2020. The NBU continued floating exchange rate policy and 2019 was finished at UAH 23.69 per USD, compared to UAH 28.07 and 27.69 per USD as at 31 December 2018 and 2017, respectively.

As an element of currency regime liberalization, the NBU continued its policy of easing currency restrictions and decreased share of mandatory sale for foreign currency proceeds from 50% down to 30% with effect from 1 March 2019 and cancelled mandatory sale in its entirety on 20 June 2019. In addition, on 16 May 2019, the NBU increased foreign currency denominated export/import transaction settlement period from 180 up to 365 days. Furthermore, on 7 May 2019, the NBU increased the limit for dividends payments by Ukrainian companies to non-residents to EUR 12 million per month and subsequently cancelled this limitation from 10 July 2019.

Among the key stabilising factors for national currency were the successful unlocking of the IMF programme in 2018 followed by further constructive dialogue and conclusion of Staff Level Agreement (subject to the IMF Board of Directors approval following completion of prior actions agreed with the Ukrainian Government) regarding a new Extended Fund Facility("EFF") 3-year programme for approximately USD 5.5 billion, strong revenues of exporters, growth in remittance from labour emigrants, tight

UAH liquidity and growing demand from foreign investors for sovereign bonds issued by the Ukrainian Government locally. In December 2018, the IMF Board of Directors approved the Stand-By Arrangement ("SBA") 14 -month programme for Ukraine in amount of USD 3.9 billion and, accordingly, Ukraine has received 2 billion from the IMF and the European Union, as well as USD 750 million credit guarantees from the World Bank. The continuation of the IMF programme significantly increased the ability of Ukraine to cope with its obligations denominated in foreign currency in 2019, and thus supported financial and macroeconomic stability of the country.

Since 2017, Ukraine systematically approached international debt capital markets (having issued USD 3 billion 15-year Eurobond at 7.375% in September 2017; USD 2 billion dual-tranche Eurobonds (USD 750 million 5.25-year at 9.0% and USD 1.25 billion 10-year at 9.75%) in October 2018; USD 375 million 10-year Eurobond at 9.75% in March 2019; EUR 1 billion 7-year at 6.75% in June 2019; EUR 1.25 billion 10-year at 4.375% in January 2020) which helped to smooth external debt maturity profile and gradually reduced the sovereign debt service costs. In addition, in May 2019, Clearstream opened an account with NBU easing an access for international investors to sovereign bonds issued by the Ukrainian Government locally, which increased the share of UAH-denominated debt and led to foreign currency inflow into the Ukrainian economy.

At the end of 2019, one of the main economic and geopolitical threats and uncertainties for Ukraine – the volume of business and tariff for natural gas transit from Russian Federation to the European Union, as well as the dispute over execution of the Stockholm Chamber of Commerce Arbitration ruling regarding natural gas supply price between the Russian and Ukrainian national energy monopolies, was also removed, securing 5-year minimum guaranteed transit revenues for Ukraine and irrevocable additional USD 2.9 billion cash settlement from RAO GazProm to NAK Naftogas (in addition to USD 2.4 billion payment for natural gas adjustment received by Ukraine in 2018, immediately following favourable arbitration ruling) as well as other related bilateral disputes amicable resolution.

Bilateral relations with the Russian Federation remain damaged and deteriorating over the annexation of Crimea and its alleged role in continuing armed conflict in Donetsk and Lugansk regions. Russian government maintains various trading barriers, which effectively resulted in a trading embargo for many key Ukrainian export products. In response, the Ukrainian Government keeps similar measures against Russian products. In particular, through all 2018, the Group's sales to the Russian Federation were subject to 19.9 per cent and 34.22 per cent anti-dumping duties for pipes and wheels products, respectively (plus an additional 5 per cent. duty for all Ukrainian import products in Russia). In April 2019, new Russian trading sanctions were introduced effective immediately, which banned steel pipe imports into Russia, impacting a majority of Interpipe's pipes products. In June 2019, Ukraine mirrored the Russian trade sanctions adopted in April by inclusion of a ban on seamless pipes produced in the Russian Federation. In July 2019, the Eurasian Economic Commission also suspended the 34.22 per cent. anti-dumping duty on import of wheels into the Customs Union until 1 June 2020. All these developments had a significant effect on the Group's operations, historically the Russian Federation market used to account for a significant share of the overall Group revenues. In order to decrease its dependence on the Russian market, the Group continued to implement a transformation plan, which aims to diversify its presence at the key markets and to further reduce dependence on Russian customers in its overall business portfolio.

The Group's current and target business model assumes an extensive geographical diversification of its sales and presence in different markets. The Group's ability to operate in particular regions is highly dependent on specific trade regimes. Since 2014, the Group operated in the USA market under the special agreement ("Suspension Agreement") suspending antidumping duty of 7.47% on import of OCTG pipes produced by Interpipe. The Suspension Agreement was extended in June 2018 by the US Government for one year, expired in July 2019 and was not further extended. In addition to the antidumping duty, in March 2018 a safeguard tariff of 25% was imposed for all steel products from Ukraine including all of the Group's pipe products supplied to the USA market. In May 2019, the US State Department excluded Canada and Mexico from its steel and aluminium tariffs country list which may increase competition the Group faces in the USA from Canadian and Mexican pipe imports. In the European market Interpipe's seamless pipe products were subject to 13.8% antidumping duty. On 2 August 2019, the European Commission decreased anti-dumping duty on imports of certain seamless pipes and tubes produced by Interpipe from 13.8% to 8.1%. Since February 2019, the European Commission has put in place country-specific quotas for steel product imports, including Ukrainian seamless tubes and welded pipes, with 25% duty levied on any excess.

Financial Restructuring Completion and Implementation

In 2011, the Group executed debt restructuring documentation with its lenders and bondholders. In order to give effect to the restructuring in a uniform manner, the lenders under various bilateral, syndicated facility agreements, the lenders under the Electric Arc Furnace (the "EAF") construction financing facility (the "2011 Restructured facilities"), and the Group entered into a single Override Agreement governing the Group's bank borrowings (the "Override Agreement"), which amended the key terms and provisions set out in each of the 2011 Restructured facilities and which entered into full force and effect on 16 December 2011. The Override Agreement acted as an umbrella amendment agreement applicable to each of the 2011 Restructured facilities.

The Group's financial performance has been materially impacted by adverse market developments resulting from a decline in the price of oil and other commodities, as well as geo-political developments in the region in recent years. In late 2013, the Group breached certain financial covenants and missed scheduled principal repayments of USD 106 million, which triggered cross-defaults on the Group's borrowings, thus entitling the Group's lenders to demand accelerated or full immediate repayment of all outstanding amounts of borrowings. Consequently, the Group initiated a financial restructuring process.

On 1 April 2019, lenders representing 100 per cent. of the outstanding principal amount under the Override Agreement and holders of over 90 per cent. in the principal amount of the USD 200 million 10.25% Notes due 2017 (the "Existing Bonds") have acceded to the lock-up agreement, pursuant to which they have committed to support, consent to and/or vote in favour of the proposed restructuring on the terms set out in the term sheet negotiated between the coordinating committee of the creditors under the Override Agreement and the Former Parent (the "Restructuring").

On 27 September 2019, the definitive restructuring agreement (the "Restructuring Agreement") has been executed by the lenders representing 100 per cent. of the outstanding principal amount under the Override Agreement and the trustee in respect of the Existing Bonds. Pursuant to the Restructuring Agreement, the financial restructuring must have been implemented not later than the date agreed by the Group and the lenders and should have resulted in reduction of the existing debt and the restatement of its repayment profile.

On 10 October 2019, the Group has satisfied all condition precedents set in the Restructuring Agreement and has signed the financial documents regulating the Restructuring; accordingly, upon satisfaction of all the Restructuring Agreement's conditions, on the Restructuring Effective Date (25 October 2019) - the Restructuring came into full force and became binding and irrevocable.

As a result of the Restructuring implementation, the Company became the new parent of the Group and the borrower under the following debt instruments:

- USD 309,192 thousand 10.25 per cent. guaranteed notes due 2024 (the "New Notes");
- A senior facility agreement in the principal amount of USD 45,808 thousand (the "New Facility Agreement");

In addition and as a condition precedent of the Restructuring Agreement, the existing working capital facilities drawn by certain Group subsidiaries were (i) assigned to the Company via intragroup transfer, (ii) restructured and replaced with two new working capital loans (the "New WC Loans") with total principal amount of USD 45 million owed by the Company and guaranteed by the Former Parent to the lenders.

The Former Parent became the guarantor of the Company's obligations in respect of the New Notes and of the loan under the New Facility Agreement. The New Notes were issued to the holders of the Existing Bonds and certain of the lenders under the Override Agreement.

The New Notes and a fee agreement with the lenders under the New Facility Agreement also included the Company's obligation to pay exit fees (the "Exit Fee") in the aggregate amount of USD 40 million to the holders of the New Notes and such lenders, respectively, if the New Notes and the New Facility Agreement are not repaid prior to the fourth anniversary of the Restructuring Effective Date.

In addition, Interpipe Investments PLC (the "Performance Fee Debtor"), a public company limited by shares under the Laws of Cyprus, established as a 94% subsidiary to the Company (with a minority of 6% held by six of the Company's direct shareholders) acted (i) as an issuer of performance securities (the "Performance Securities") and (ii) as an obligor under a performance fee agreement (the "Performance Fee Agreement"). The Company became the guarantor of the Performance Fee Debtor's obligations, contingent upon the Group performance and specific triggering events and conditions occurrence (see below), in respect of the Performance Securities and under the Performance Fee Agreement.

The Performance Securities and the Performance Fee Agreement provided to the holders the right to receive from the Performance Fee Debtor a fee (the "Performance Sharing Fee") equal to higher of (i) percentage of the Group EBITDA or (ii) percentage of the Group Adjusted Cash Flow before Debt Service (being, broadly, the Group EBITDA adjusted for working capital change, income tax paid and net cash flows from investing activities, but before net cash flows from financing activities) for the three consecutive annual periods (the "Fee Assessment Period") starting with the next full calendar semi-annual period following the date of full repayment of obligations due under the New Facility Agreement, the New Notes and the Exit Fee (if applicable) (the "Final Repayment Date").

3,054 units of the Performance Securities were issued by the Group and are currently fully separable, transferrable and detached from the Company's obligations under the New Notes. The Performance Fee Agreement (i) has an option to convert into up to 458 units of the Performance Securities, (ii) gave rise to similar obligations to the contractual parties under the Performance Fee Agreement as to the Performance Securities holders (total fee determined and shared equitably, pro-rata to 3,550 on a per-unit basis) and (iii) are detached from the Company's obligations under the New Facility Agreement.

The Performance Securities and the Performance Fee Agreement also provided the holders and the contractual parties, respectively, with the right to a share in the net proceeds from any capital transaction (the "Net Proceeds") with the Company's equity or assets and/or any material disposal of capital nature of any and all of the Group subsidiaries, whether in entirety or in material constituent parts thereof (the "Proceeds Sharing Fee") starting on the Restructuring Effective Date and elapsing on the last day of the Fee Assessment Period.

The following table summarizes the ratchet of the percentages to be applied (the "Applicable Percentage") depending on number of years elapsing from the Restructuring Effective Date (i) at the start of the Fee Assessment Period (for the Performance Sharing Fee calculation) and/or (ii) when the Net Proceeds are received (for the Proceeds Sharing Fee determination):

Number of Years elapsing since the Restructuring Effective Date	*for the Performance Sharing Fee calculation*		*for the Proceeds Sharing Fee determination*
	% of EBITDA	% of Adjusted Cash Flow	% of Net Proceeds
0 to 4	15%	22.5%	10%
5 to 7	20%	27.5%	20%
8 to 10	25%	33.0%	20%

The amount due of the Performance Sharing Fee is deductible for the purpose of determination of the Proceeds Sharing Fee amount due and vice versa. The assessment of the total amount, due and payable, of the Performance and Proceed Sharing Fees contains certain catch-up surcharges and compensating deductions in order to capture the substance, removing the timing effects on the calculation and allowing the parties concerned to share equitably, in fair manner, but without double-counting in the Group performance and/or relevant capital transaction results.

The Group has an early settlement option (the "Early Settlement Option") under the Performance Securities and the Performance Fee Agreement via one-off payment of higher of (i) pre-agreed amount (USD 125 million, if prior to, or USD 175 million, if subsequent to the fourth anniversary of the Restructuring Effective Date, respectively) or (ii) 100% of the Group's EBITDA for the most recent full financial year preceding the date of such early settlement option invocation.

In accordance with the Restructuring Agreement, one of the Company's shareholders contributed USD 50 million cash equity (Note 31). Further, the shareholder also committed to provide the Group with an additional liquidity buffer of USD 20 million (supported by a standby letter of credit) in case the Group fails to meet its financial obligations under the Restructuring.

As at 31 December 2018, the outstanding principal amount of the Group borrowings in default (excluding interest accrued but not paid and default interest charges) amounted to USD 1,067,339 thousand. Accordingly, the Group liabilities due or claimable within 12 months from 31 December 2018 exceeded the Group's current assets as at the date by USD 1,089,315 thousand. In 2018, the Group incurred net loss of USD 47,979 thousand, the Group's net equity deficit amounted to USD 669,499 thousand, as at 31 December 2018.

As a result of the Restructuring as well as of the scheduled or early repayment of the borrowings, as at 31 December 2019, the Group capital structure was brought to a sustainable level with the Group's borrowings, largely extended in maturities (Note 19 and 36) in amount of USD 415,854 thousand, net equity of the Group reinstated to USD 449,208 thousand, the Group's current assets exceeded its current liabilities by USD 198,292 thousand and the Group's net profit for the year 2019 reached USD 828,656 thousand.

The directors and management of the Group have concluded that the successful Restructuring substantially removed uncertainty, which previously cast doubts over the Group's ability to continue as a going concern. The directors and management also believe that the Group will be able to manage various business risks in uncertain and volatile environment and will be able to continue its operations for the foreseeable future in the normal course of business. For these reasons, the Group continues to adopt the going concern basis of accounting in preparing its Consolidated Financial Statements.

3. Basis of preparation

Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as well as in accordance with the requirements of the Cyprus Companies Law, Cap.113. The entities composing the Group maintain their accounting records in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the Consolidated Financial Statements, which have been prepared from the Group entities' local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The Consolidated Financial Statements have been prepared on a historical cost basis except for property, plant and equipment and construction in progress, that are carried at a revalued amount, investment in associates and joint ventures accounted for using the equity method, post-employment benefits measured in accordance with the requirements of IAS 19 "Employee benefits" and certain financial instruments measured in accordance with the requirements of IFRS 9 "Financial instruments".

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenues and expenses during the reporting period.

Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

The Consolidated Financial Statements are presented in US Dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated; all expenses are shown in brackets (unless otherwise indicated in notes).

The Consolidated Financial Statements provide comparative information in respect of the previous period.

New and amended standards and interpretations

During the current year the Group adopted all of the amendments to International Financial Reporting Standards (IFRS) adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019, as follows:

	Effective for annual period beginning on or after
International Financial Reporting Standards ("IFRS"):	
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019
Amendments to existing standards and interpretations:	
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28: Long-term interests in associates and joint ventures	1 January 2019
Annual Improvements 2015-2017 Cycle (issued in December 2017). These improvements include amendments to:	
IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	1 January 2019

IFRS 16 Leases - Transition to IFRS 16

The adoption of IFRS 16 Leases from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the Consolidated Financial Statements. The Group applied the new rules using a modified retrospective approach from 1 January 2019, which means that the cumulative impact of the adoption was recognised in retained earnings as at 1 January 2019 and that comparatives were not restated. Particular requirements of new standards which have an impact on the Group`s financial information are described below.

The Group recognises assets and liabilities for all leases within term of more than 12 months, unless the underlying asset is of low value. The Group as the lessee recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	2,999
Weighted average incremental borrowing rate as at 1 January 2019	6.3%
Discounted operating lease commitments as at 1 January 2019	2,643
Lease liabilities as at 1 January 2019	2,643

Impact on the financial information

As a result of the changes in the Group's accounting policies, the following adjustments were recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2018	*IFRS 16 effect*	*1 January 2019*
Non-current assets			
Property, plant and equipment	515,446	2,643	518,089
Non-current liabilities			
Long-term borrowings	-	2,090	2,090
Current liabilities			
Current portion of the long-term borrowings and interest accrued and payable	1,376,570	553	1,377,123

As at 1 January 2019, the Group recognized the right-of-use asset in amount of USD 2,643 thousand within Property, plant and equipment. The measurement principles of IFRS 16 are only applied after that date. Prior to the date of initial application, there were no leases previously classified as finance leases by the Group. Adoption of IFRS 16 did not have impact on the opening retained earnings as at 1 January 2019.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Based on its tax compliance, the Group determines probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the Consolidated Financial Statements of the Group. For details please refer to Note 34 below.

The amendments to other existing standards and interpretations had no impact on the Consolidated Financial Statements of the Group.

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Company (and of the Former Parent, where applicable) and its subsidiaries at 31 December 2019 and for the year then ended. At each reporting date, the Company, regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the interest in subsidiaries not held by the Group. Non-controlling interests at the reporting date represent the non-controlling shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling shareholders' portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders' equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. Summary of significant accounting policies

Foreign currency translation

The Consolidated Financial Statements are presented in the USD, which is the Company's functional and presentation currency. Items in the financial statements of each entity included in the Consolidated Financial Statements are measured using the functional currency determined for that entity. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences upon re-measurement are recognised in the profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Ukrainian hryvnia is the functional currency of the subsidiaries domiciled in Ukraine. The functional currencies of the subsidiaries domiciled outside of Ukraine are as follows: the United States dollar for those registered in Switzerland, United Arab Emirates, Republic of Cyprus and the United States of America, Euro for a subsidiary in Germany and, Russian rouble for a subsidiary in Russia, and Kazakhstani tenge for a subsidiary in Kazakhstan.

As at the reporting date, the assets and liabilities of these companies are translated into the presentation currency of the Group at the rate of exchange at the reporting date. For the reporting year, the amounts presented in their statements of comprehensive income and cash flows are translated at the monthly weighted average exchange rates. All equity transactions and significant transactions relating to the statement of comprehensive income such as revaluation and impairment of property, plant and equipment and write down of inventories to net realisable value were translated using the exchange rate ruling at the date of transaction. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss.

Net investments in foreign operations

Intragroup net investments in foreign operations are accounted based on provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Net investment is considered to be monetary item with the settlement which is neither planned nor likely to occur in the foreseeable future. Such monetary items may consist of intercompany loans and may include long-term receivables and payables.

In the Consolidated Financial Statements of the Group exchange differences arising on monetary items that are designated to form part of the intercompany net investments are recognised in other comprehensive income and taken to a separate component in equity during period of designation.

Exchange differences recognized in other comprehensive income should be reclassified from equity to profit or loss only on disposal of the respective net investment in accordance with provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Business combinations and goodwill

Business combinations, except for those among entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred and included in administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and a part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

For business combinations among entities under common control, in particular those representing legal reorganizations of the existing business without a change in control, the Group elected to apply pooling of interest method. Under this method assets and liabilities after the combination are recognized at the same carrying amounts as before the combination with the remaining differences, if any, recognized directly in equity.

Property, plant and equipment

Property, plant and equipment initially recognized at cost. Subsequently, property, plant and equipment are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. When no market values are available, fair value of specific machinery and equipment is determined by using depreciated replacement cost approach. Fair values of other items of property, plant and equipment are determined by reference to market-based evidence, which are the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The last revaluation was performed by independent appraiser as at 31 December 2018.

Following the significant deterioration in 2014-2016, the economy of Ukraine demonstrated first indicators of stabilization in 2017. The increase in the fair value of the Group's property, plant and equipment as at 31 December 2018 (Note 8) relates to the progress in stabilization of Ukrainian business environment and improved situation on the global markets. Despite the fact that the business environment remained unstable and geopolitical situation - complicated, the Ukrainian economy continued to show moderate growth and improved macroeconomic fundamentals for the third year in a row, driven by political stability, structural economic reforms, higher consumer spending due to an increase in real wages and favourable export markets. As at 31 December 2019 the management considered certain signs of further economic recovery, but, applying conservative approach, views the recent 2018 revaluation is still an adequate basis of presentation for the Group's Property, plant and equipment in the Consolidated Financial Statements.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset.

Increases in carrying amount arising on revaluation of property, plant and equipment are recorded in other comprehensive income and credited to revaluation reserve in equity. However, such increase is to be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If the asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

As the asset is used by the Group, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred to retained earnings. On the subsequent sale or retirement of a revalued property, the respective revaluation surplus carried in equity is transferred directly to retained earnings.

Depreciable amount is the cost or revalued amount of the item of property, plant and equipment less estimated residual value at the end of the useful life. Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the assets, determined at the date of revaluation, or estimated useful life of the assets, determined at the date the asset is available for use.

The asset's residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end. Depreciation is calculated over the estimated remaining useful life of the assets as follows:

Buildings and structures	3-50 years
Machinery and equipment	1-25 years
Transport and motor vehicles	1-10 years
Fixtures and office equipment	1-7 years

Construction in progress comprises prepayments made and letters of credit issued for purchases of property, plant and equipment, as well as property, plant and equipment which have not yet been constructed. No depreciation is recorded on such assets until they are available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year when the item is derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and social infrastructure facilities held by production subsidiaries in Ukraine, which do not meet the definition of an asset according to IFRS and are not included in the Consolidated Financial Statements. Construction and maintenance costs of social infrastructure facilities are expensed as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term and low-value assets lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option as well as are considered to be low value). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets include patents and trademarks, accounting and other software acquired separately from business combination and measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets are amortized using straight line method over estimated useful lives from three to ten years.

Investments in associates and joint ventures

The Group's investments in associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount, and then recognizes the loss within "Share of profit of an associate and a joint venture" in the consolidated statement of comprehensive income.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Impairment losses on non-revalued assets are recognised in profit or loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus attributable to the asset to the extent that the impairment loss does not exceed the amount of the revaluation surplus for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in the prior years in profit or loss. After such the reversal, the depreciation charge in future periods is adjusted to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (the "OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 as described in the section Revenue from contracts with customers below.

In order to a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (the "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at Amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

As at 31 December 2019 and 2018, the Group had no financial assets at fair value through OCI with recycling of cumulative gains and losses, financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition and financial assets at fair value through profit or loss.

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (the "EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortized cost includes trade and other receivables, current and non-current deposits included under prepayments and other current assets and other non-current assets, respectively.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has

transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (the "ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings. The Group also has the Performance Sharing Fee and Exit Fee at fair value through profit or loss. The Group has no derivative instruments designated as hedging instruments for effective hedging.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Accounts payable, loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Hedge accounting

Initial recognition and subsequent measurement

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction and that could affect profit or loss.

If the cash flow hedge is effective during the period, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income with the ineffective portion recognised in profit or loss. The associated gains or losses that were recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first-in, first-out ("FIFO") basis, except for cost of work-in-process (comprising unfinished products and metal billets) which is determined on weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Pension obligations

In the normal course of business the Group contributes to the Ukrainian, Russian and Kazakhstani state pension schemes at the statutory rates in force during the year, based on gross salary payments; such expense is charged in the period the related salaries are earned. The Group has also agreed to provide certain defined contribution pension benefits in Switzerland and the USA. The Group has no legal or constructive obligations to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

In addition, the Group's Ukrainian production subsidiaries provide other post-employment benefits to their employees. There are two significant defined benefit post-employment plans in Ukraine, both of which are unfunded. These plans comprise:

- The Group's legal and contractual obligation to its employees to make one-off payment on retirement of employees with long service and other benefits according to the collective agreements, and

- The Group's legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of the eligible employees of the Group. The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method in respect of those employees entitled to such payments. Management uses actuarial techniques in calculating the liability related to these retirement obligations at each reporting date. Actual results could vary from estimates made to the date.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position of the Group with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost resulting from introduction of pension benefits is recognised immediately in the profit or loss.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax expense is calculated by each entity on the pre-tax income determined in accordance with the tax law of a country in which the entity is incorporated, using tax rates enacted during the tax period when the respective transaction arises.

Deferred tax

Deferred income tax is recognised, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of steel products is recognized at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the products.

Revenue reflects the sale of finished products and services. The Group analyses the following five stages to determine the principle for recognizing revenue:

1. Identification of contract;
2. Identification of distinct performance obligations within the contract;
3. Evaluation of contract price;
4. Allocation of overall price to each performance obligation pro rata of their specific sale prices;
5. Recording of revenue when a performance obligation has been satisfied.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of steel products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The existing contracts for the sale of steel products do not provide customers with a right of return of the products of good quality and do not include volume rebates, therefore do not result in variable consideration.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Cost of sales and other expenses recognition

Cost of revenue that relates to the same transaction is recognised simultaneously with the respective revenue.

New standards and interpretations not yet adopted

At the date of authorisation of the Consolidated Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been adopted by the EU:

	Effective for annual period beginning on or after
International Financial Reporting Standards ("IFRS"):	
IFRS 14 Regulatory Deferral Accounts	Open*
IFRS 17 Insurance Contracts	1 January 2021**
Amendments to existing standards and interpretations:	
IFRS 2 Share-Based Payment	
- References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 3 Business Combinations	
- References to Conceptual Framework in IFRS Standards	1 January 2020
- Definition of a Business	1 January 2020
IFRS 6 Exploration for and Evaluation of Mineral Resources	
- References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 7 Financial Instruments: Disclosures	
- Interest Rate Benchmark Reform	1 January 2020
IFRS 9 Financial Instruments	
- Interest Rate Benchmark Reform	1 January 2020
IAS 1 Presentation of Financial Statements:	
- Definition of Material	1 January 2020
- References to Conceptual Framework in IFRS Standards	1 January 2020
- Classification of Liabilities as Current or Non-current	1 January 2022
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	
- Definition of Material	1 January 2020
- References to Conceptual Framework in IFRS Standards	1 January 2020
IAS 34 Interim Financial Reporting:	
- References to Conceptual Framework in IFRS Standards	1 January 2020
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	
- References to Conceptual Framework in IFRS Standards	1 January 2020
IAS 38 Intangible Assets	
- References to Conceptual Framework in IFRS Standards	1 January 2020
IAS 39 Financial Instruments: Recognition and Measurement	
- Interest Rate Benchmark Reform	1 January 2020
IFRIC 12 Service Concession Arrangements	
- References to Conceptual Framework in IFRS Standards	1 January 2020
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	
- References to Conceptual Framework in IFRS Standards	1 January 2020
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	
- References to Conceptual Framework in IFRS Standards	1 January 2020
SIC 32 Intangible Assets: Web Site Costs	
- References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed

* The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

** On 26 June 2019, the IASB issued the Exposure Draft Amendments to IFRS 17 to alleviate concerns and challenges raised about implementing IFRS 17. The Board also proposed to defer the effective date of the standard by one year to 2022.

For other Standards and Interpretations the Directors do not expect that the adoption of the Standards and Interpretations will have a material impact on the Consolidated Financial Statements of the Group in future periods. There are no other IFRSs or IFRIC interpretations that are not yet effective but would be expected to have a material impact on the Group.

Reclassifications

Certain reclassifications have been made to the comparative information presented in the Consolidated Financial Statements in order to comply with the current year classifications. Such reclassifications had no impact on net income or net assets position of the Group, assets and liabilities classification as current or non-current as well as on determination of gross profit, operating profit/ (loss) or profit/ (loss) for the year.

Summary of the reclassifications made is as follows:

	31 December 2018 and for the year then ended	*Reclassifications*	*1 January 2019 and for the year ended on the previous day*
Consolidated Statement of Financial Position			
Current assets grouping (i)			
Prepayments and other current assets (Note 15)	27,201	11,494	38,695
Other financial assets	11,494	(11,494)	-
Current liabilities grouping (ii)			
Current portion of the long-term borrowings and interest accrued and payable (Note 19)	1,354,766	21,804	1,376,570
Trade and other accounts payable (Note 21)	89,665	(21,804)	67,861
Consolidated Statement of Comprehensive Income			
Finance costs classification (ii)			
Gain on the Restructuring, net of (costs) (Note 19)	-	(6,287)	(6,287)
Finance costs (Note 30)	(139,032)	6,287	(132,745)

(i) The Group management decided to merge guarantee and restricted bank deposits previously presented in separate line in the Group consolidated statement of financial position with Prepayments and other current assets (Note 15). Had the previous format been preserved, the presentation would have been as follows:

	31 December 2019	*31 December 2018*
Guarantee deposits	8,163	3,954
Restricted bank deposit	5,039	7,540
	13,202	**11,494**

(ii) The Group management reclassified the default interest under the borrowings prior to the Restructuring in amount of USD 21,804 thousand as at 31 December 2018 from Trade and other accounts payable (Note 21) to Current portion of the long-term borrowings and interest accrued and payable (Note 19). The Group management also presented expenses incurred in connection with the Restructuring process in 2018 separately from the Finance costs (Note 30) in the Gain on the Restructuring, net of (costs) (Note 19). The Group management believes that such reclassifications are relevant for the illustration of the costs incurred in the course of the Restructuring and, ultimately, for the understanding of the Restructuring results in 2019.

In 2019, the Group changed presentation of Income Tax disclosure (Note 12) by aggregating /disaggregating several lines of disclosure. This presentation provides more relevant information about income tax benefits /(expenses) generated in different tax jurisdictions, reconciliation of the Group's tax benefit and nature of the Group's deferred tax assets base. The new presentation is more consistent with how management analyses the performance of the Group and recoverability of deferred tax assets. Where necessary, corresponding figures have been adjusted to conform to changes in the presentation in the current year.

5. Significant accounting judgements and estimates

i) Estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Pension obligations under defined benefit plan

The Group collects information relating to its employees in service and pensioners receiving pension benefits and uses the actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. These calculations require the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate and future projected salary).

Further details are disclosed in Note 20.

Valuation of property, plant and equipment

As described in Note 4, the Group applies the revaluation model to its property, plant and equipment.

At each reporting date the Group carries out the review of the carrying amount of these assets in order to determine whether it is materially different from the fair value. The majority of the Group's property, plant and equipment represent specialised items used in production process. Accordingly, management primarily uses the expected future cash flow models applied to the respective cash generating unit (the "CGU") and considers such approach to be the most appropriate in the current operating environment of the Group.

Useful life of property, plant and equipment and residual value

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each reporting date. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the carrying amount of property, plant and equipment and on depreciation recognised in the consolidated statement of comprehensive income.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. This requires an estimation of the value in use of CGU to which the item is allocated. Estimating the value in use /fair value less costs of disposal requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (the "DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Net realisable value of inventories

Inventory is carried at lower of cost and net realisable value. Estimates of net realisable value of raw materials, work in progress and finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the period (Note 13).

Taxes

Uncertainties may exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

If the Group concludes that it is 'probable' that the taxation authority will accept a specific tax treatment, then the Group determines its accounting for income taxes (e.g. in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, tax rates) consistently with the tax treatment.

Where the Group concludes that it is 'not probable' that the tax authority will accept a specific treatment, then the Group reflects the effect of that uncertainty in its income tax accounting (e.g., in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, tax rates) in the period in which that determination is made. The effect of each uncertainty is reflected using either the 'most likely amount' method or the' expected value' method whichever better predicts the resolution of the uncertainty.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected future performance.

Further details on taxes are disclosed in Note 12 and Note 34.

Value-added tax recoverable

Value-added tax ("VAT") recoverable is reviewed at each reporting date and reduced to the extent that it is no longer probable that a refund or VAT liabilities for netting will be available. The Group considers that the amount due from the state as at the reporting date will be either recovered in cash or reclaimed against the VAT liabilities related to sales.

Provision for expected credit losses of financial assets

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets is disclosed in Note 35.

ii) Judgements

Litigations

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation or arbitration, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, as well as in determining a possible range of any final settlement. Because of the inherent uncertainties in evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as any new information becomes available, primarily with the support of, as appropriate, internal specialists or outside consultants, such as legal counsel. Revisions to the estimates may significantly affect future operating results (Notes 20 and 34).

Designation of monetary items as part of net investment in foreign operations

Throughout the Group there are various intercompany balances between subsidiaries, including loans that are used to finance mainly capital expenditure projects as well as working capital requirements. The majority of these balances are denominated in the USD and are translated into the respective local functional currencies in the subsidiaries' local accounts. Balances for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group's net investment in that foreign operation and exchange differences on these balances are recognised in other comprehensive income and only reclassified from the equity to profit or loss on disposal of the respective net investment. It is the Group management's view that substantial part of the loans and other liabilities granted by the parent and subholding companies to its Ukrainian subsidiaries as from 1 January 2014 qualify as net investments in its foreign operations (Note 36).

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

6. Segment information

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

For management purposes, the Group is organised into business units based on its products and services, and has four reportable operating segments as follows:

1. Pipes segment – production and distribution of:
   - Seamless oil country tubular goods ("OCTG"), used for oil and gas exploration and production;
   - Seamless transportation line pipes, used for oil and gas transportation in severe pressure and temperature conditions;
   - Seamless industrial pipes, used in a large variety of infrastructure and industrial applications;
   - Seamless special applications pipes, used in various applications by the machine-building, power and heat generation and petrochemical industries, among others;
   - Industrial welded pipes, used mainly in the construction industry and in local water distribution networks;
   - Transportation line welded pipes, used to transport water, crude oil and natural gas in moderate pressure and temperature conditions.
2. Railway wheels segment - production and distribution of extensive range of forged wheels used for freight cars, passenger carriages, locomotives and underground trains as well as tyres for wheel sets used on locomotives, underground trains and trams.
3. Steel making segment:
   - Collection and processing of scrap for internal consumption in steel billets production. Scrap not usable for the Group's production purposes is sold to external customers;
   - Production and distribution of pipe steel billets – used both for internal production of the extensive range of seamless pipes and distribution to the external customers;
   - Production and distribution of wheels steel billets – used for railway wheels production and distribution to the external customers.
4. Other operations segment - production and sales of enamel ware and other by-products and services.

Inter-segment sales primarily consisted of steel billets sold by "Metallurgical Plant Dneprosteel" LLC to JSC "Interpipe Niznedneprovsky Tube Rolling Plant" and "Interpipe Niko Tube" LLC, the cost of which was included in the cost of pipes and wheels.

The Group management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group's financing activities (including finance costs and finance income) and income taxes are managed on the Group level and are not allocated to the operating segments.

Recognizing the scope and magnitude of the steelmaking integration into and its influence on the pipes and railway wheels economy, the Group management decided to amend and expand segment information with additional allocation of the steel making EBITDA to pipes and wheels respective EBITDA pro-rata to relevant external revenues from sales of the Group products - thus, explicitly demonstrating the Group key final-product-segments (seamless pipes and railway wheels) throughput results - leaving to the steel making segment only portion of the result attributable to the external steel billets sales.

Segment revenues and results

Year ended 31 December 2019	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	657,655	425,296	409,950	14,875	1,507,776
Elimination of sales to other segments	-	-	(385,414)	-	(385,414)
Revenue - external	657,655	425,296	24,536	14,875	1,122,362
Operating (loss) / profit	**(83,587)**	**162,480**	**2,823**	**1,294**	**83,010**
Gain on the Restructuring, net of (costs)					863,453
Finance income					2,783
Finance costs					(130,944)
Non-operating foreign exchange difference					(2,653)
Share of loss of joint venture					(369)
Share of profit of associates					(163)
Income tax benefit					13,539
Profit for the year					**828,656**

Year ended 31 December 2018	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	753,749	284,574	516,514	16,701	1,571,538
Elimination of sales to other segments	-	-	(497,381)	-	(497,381)
Revenue - external	753,749	284,574	19,133	16,701	1,074,157
Operating (loss) / profit	**(33,357)**	**7,958**	**80,192**	**382**	**55,175**
Gain on the Restructuring, net of (costs)					(6,287)
Finance income					1,510
Finance costs					(132,745)
Non-operating foreign exchange difference					9,192
Share of profit of associates					35
Income tax expense					25,141
Loss for the year					**(47,979)**

For the year ended 31 December 2019 and 2018, share of profit of associates was attributable to pipes segment.

Segment assets, liabilities and other information

Year ended 31 December 2019	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	447,511	172,479	310,400	3,743	934,133
Segment liabilities	128,899	161,285	26,127	3,395	319,706
Investment in associates and joint venture (Note 10 and 11)	4,083	-	-	-	4,083
Additions to property, plant and equipment (Note 8)	36,385	20,264	10,129	-	66,778
Movement in provisions	37,027	3,196	191	-	40,414
Other non-cash items	(24,611)	(620)	-	(2,252)	(27,483)

Segment assets, liabilities and other information (continued)

Year ended 31 December 2018	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	420,658	89,003	288,598	5,862	804,121
Segment liabilities	107,156	37,035	25,900	6,867	176,958
Investment in associates and joint venture (Note 10 and 11)	4,431	-	-	-	4,431
Additions to property, plant and equipment (Note 8)	24,134	10,794	7,668	-	42,596
Movement in provisions	40,775	1,693	386	57	42,911
Other non-cash items	19,689	2,338	(4,541)	324	17,810
Effect of revaluation of property, plant and equipment (Note 8)	2,717	6,989	(21,005)	-	(11,299)

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

	31 December 2019	*31 December 2018*
Segment assets for reportable segments	**934,473**	**802,690**
Other operations	**3,743**	**5,862**
Unallocated		
Intangible assets	3,453	2,584
Deferred tax assets	35,966	2,024
Trade and other accounts receivable	-	445
Prepaid income tax (non-current)	186	1,867
Prepaid current income tax	3,378	132
Taxes recoverable, other than income tax	17,597	18,587
Prepayments and other current assets	13,203	11,494
Cash and cash equivalents	256,148	130,884
	329,931	**168,017**
Total assets	**1,268,147**	**976,569**

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

	31 December 2019	*31 December 2018*
Segment liabilities for reportable segments	**316,311**	**170,091**
Other operations	**3,395**	**6,867**
Unallocated		
Deferred tax liabilities	20,741	21,602
Taxes payable, other than income tax	4,156	4,405
Current income tax liabilities	12,612	6,290
Borrowings	417,944	1,067,339
Subordinated Loan	42,462	59,938
Interest payable	1,065	309,231
Dividends payable to non-controlling interest owners	253	209
Other liabilities	-	96
	499,233	**1,469,110**
Total liabilities	**818,939**	**1,646,068**

The Group measures the performance of its operating segments through a measure of earnings before interest, tax, depreciation and amortisation (the “EBITDA”). EBITDA is calculated as operating profit or (loss) plus depreciation and amortisation charge, plus impairment of property, plant, equipment and intangible asset, plus loss / (gain) on disposal of property, plant and equipment, plus foreign exchange cash flow hedges effect, plus extraordinary losses / (gains) and plus operating foreign exchange gain/(loss).

EBITDA is not a measure of financial performance under IFRS. The calculation of EBITDA by the Group may be different from the calculations of similarly labelled measures used by other companies and it should therefore not be used to compare one company against another or as a substitute for analysis of the Group’s operating results as reported under IFRS. EBITDA is not a direct measure of the Group’s liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Group’s financial commitments. EBITDA may not be indicative of the Group’s historical operating results, nor is it meant to be predictive of the Group’s potential future results. The Group believes that EBITDA provides useful information to the users of the Consolidated Financial Statements because it is an indicator of the strength and performance of the Group’s ongoing business operations, including the Group’s ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and the Group’s ability to incur and service debt.

EBITDA by segments

Year ended 31 December 2019	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating (loss) / profit	(83,587)	162,480	2,823	1,294	83,010
Depreciation and amortisation	25,998	15,070	24,383	129	65,580
Loss on disposal of property, plant and equipment (Note 27)	1,248	946	348	-	2,542
Foreign exchange cash flow hedge (Note 36)	52,833	1,179	683	-	54,695
Operating foreign exchange difference	38,321	10,776	3,699	-	52,796
EBITDA	**34,813**	**190,451**	**31,936**	**1,423**	**258,623**
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	20,082	9,420	(29,502)	-	-
EBITDA (on a pass-through basis)	**54,895**	**199,871**	**2,434**	**1,423**	**258,623**

In 2019, the Group management has supplemented the way EBITDA by segments is presented in the Group consolidated financial statements via addition of the reallocation element which provides an illustration of EBITDA on a pass-thorough basis: reallocating portion of EBITDA generated in Steelmaking segment to the Pipes and Wheels segments pro-rata to relevant external revenues from sales of the Group products. The presentation of the EBITDA by segments for 2018 and 2017 was amended accordingly.

Year ended 31 December 2018	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating (loss) / profit	(33,357)	7,958	80,192	382	55,175
Depreciation and amortisation	17,497	13,704	13,445	17	44,663
Revaluation increase and impairment of property, plant and equipment (Note 8)	2,717	6,989	(21,005)	-	(11,299)
Loss on disposal of property, plant and equipment (Note 27)	2,090	1,252	16	-	3,358
Foreign exchange cash flow hedge (Note 36)	55,113	1,104	997	-	57,214
Operating foreign exchange difference	6,846	2,087	(447)	-	8,486
EBITDA	**50,906**	**33,094**	**73,198**	**399**	**157,597**
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	52,545	17,974	(70,519)	-	-
EBITDA (on a pass-through basis)	**103,451**	**51,068**	**2,679**	**399**	**157,597**

EBITDA by segments (continued)

Year ended 31 December 2017	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating (loss) / profit	(36,831)	25,097	49,967	1,581	39,814
Depreciation and amortisation	28,088	8,357	15,362	20	51,827
Loss on disposal of property, plant and equipment	451	155	-	-	606
Foreign exchange cash flow hedge	63,835	-	1,376	-	65,211
Extraordinary loss	-	-	143	-	143
Operating foreign exchange difference	(37,244)	(2,665)	(1,752)	101	(38,036)
EBITDA	**18,319**	**30,944**	**68,600**	**1,702**	**119,565**
Reallocation of EBITDA from Steelmaking to Pipes and Railway wheels segments	49,187	18,654	(67,841)	-	-
EBITDA (on a pass-through basis)	**67,506**	**49,598**	**759**	**1,702**	**119,565**

Geographical information

Revenues from external customers

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Ukraine	323,837	319,076
Europe	226,997	230,300
Americas	190,829	175,849
Russia	144,014	169,688
Other CIS countries	124,647	77,765
Middle East and Africa	96,369	90,319
Other countries	15,669	11,160
	1,122,362	**1,074,157**

Americas region includes the USA, Canada and Latin America countries. Other CIS countries region includes members of the Commonwealth of Independent States, except for Ukraine and Russia, both of which are presented as separate regions.

Non-current assets

Non-current assets comprising property, plant and equipment, intangible assets are presented in the table below. Non-current assets are allocated by foreign countries in which the Group holds assets. If non-current assets in an individual foreign country are material, those assets are disclosed separately.

	31 December 2019	*31 December 2018*
Ukraine	603,556	517,955
Europe	161	18
Other countries	1,969	57
	605,686	**518,030**

7. Fair value measurement

The Group measures property, plant and equipment and at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying amounts of financial instruments, consisting of cash at banks, short-term accounts receivable and payable, other financial assets, non-defaulted short-term loans and borrowings approximate their fair values.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2019:

		Fair value measurement using			
	Carrying amount	*Fair value*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Fair value of assets:					
Property, plant and equipment	600,124	600,124	-	-	600,124
	600,124	**600,124**	**-**	**-**	**600,124**
Fair value of liabilities:					
Borrowings and interest payable					
at amortized cost	332,678	332,678	-	332,678	-
at fair value	86,331	86,331	-	-	86,331
	419,009	**419,009**	**-**	**332,678**	**86,331**

Fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

		Fair value measurement using			
	Carrying amount	*Fair value*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Fair value of assets:					
Property, plant and equipment	515,446	515,446	-	-	515,446
	515,446	**515,446**	**-**	**-**	**515,446**
Fair value of liabilities:					
Borrowings and interest payable	1,376,570	447,073	-	447,073	-
	1,376,570	**447,073**	**-**	**447,073**	**-**

There have been no transfers between Level 1 and Level 2 during 2019 and 2018.

8. Property, plant and equipment

Movement in property, plant and equipment and related accumulated depreciation for the years ended 31 December 2019 and 2018 was as follows:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equip-ment*	*Construction-in-progress and uninstalled equipment*	*Right-of-use assets*	*Total*
Cost or valuation:							
At 1 January 2018	**133,149**	**205,832**	**14,400**	**2,637**	**25,460**	-	**381,478**
Additions	-	-	-	-	42,596	-	42,596
Transfers	3,089	34,233	776	934	(39,032)	-	-
Disposals and write-offs	(5,547)	(3,447)	(87)	(166)	(21)	-	(9,268)
Elimination against gross carrying amount	(35,149)	(97,261)	(5,699)	(1,426)	-	-	(139,535)
Revaluation	118,569	111,419	7,756	(92)	(2,242)	-	235,410
Translation difference	2,106	2,169	357	4	129	-	4,765
At 31 December 2018	**216,217**	**252,945**	**17,503**	**1,891**	**26,890**	-	**515,446**
Effect of IFRS 16 implementation (Note 3)	-	-	-	-	-	2,643	2,643
At 1 January 2019	**216,217**	**252,945**	**17,503**	**1,891**	**26,890**	**2,643**	**518,089**
Additions	-	-	-	-	66,778	-	66,778
Transfers	4,134	41,135	711	2,414	(48,394)	-	-
Disposals and write-offs	(1,102)	(1,407)	(199)	(187)	(2,202)	-	(5,097)
Translation difference	36,871	44,899	3,039	565	7,666	-	93,040
At 31 December 2019	**256,120**	**337,572**	**21,054**	**4,683**	**50,738**	**2,643**	**672,810**
Accumulated depreciation and impairment:							
At 1 January 2018	**27,356**	**64,458**	**4,077**	**941**	**-**	**-**	**96,832**
Depreciation for the year	9,739	33,766	1,459	544	-	-	45,508
Disposals and write-offs	(2,437)	(1,287)	(41)	(59)	-	-	(3,824)
Elimination against gross carrying amount	(35,149)	(97,261)	(5,699)	(1,426)	-	-	(139,535)
Translation difference	491	324	204	-	-	-	1,019
At 31 December 2018	-	-	-	-	-	-	-
Depreciation for the year	14,862	47,943	2,519	1,449	-	534	67,307
Disposals and write-offs	(168)	(645)	(32)	(155)	-	-	(1000)
Translation difference	1,167	2,690	219	194	-	-	4,270
At 31 December 2019	**15,861**	**49,988**	**2,706**	**1,488**	**-**	**534**	**70,577**
Net book value:							
At 31 December 2018	**216,217**	**252,945**	**17,503**	**1,891**	**26,890**	**-**	**515,446**
At 31 December 2019	**240,259**	**287,584**	**18,348**	**3,195**	**50,738**	**2,109**	**602,233**

As at 31 December 2019 and 2018, property, plant and equipment with carrying amount of USD 466,268 thousand and USD 405,690 thousand, respectively, were pledged as a security for the Group's borrowings (Note 19).

The rights-of-use asset, the Group has started recognition under IFRS 16 adoption as of 1 January 2019, comprised USD 2,606 thousand of Buildings and structures and USD 37 thousand of Transport and motor vehicles.

Revaluation increase / decrease / reversal of decrease for the year ended 31 December 2018:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction-in-progress and uninstalled equipment*	*Total*
Decrease on revaluation recognised in profit or loss	(1,095)	(12,210)	(100)	(493)	(2,779)	(16,677)
Reversal of decrease on previous revaluation recognised in profit or loss	17,521	10,327	78	30	20	27,976
Decrease on revaluations recognised in other comprehensive income	(10,337)	(10,558)	(264)	(4)	(15)	(21,178)
Increase on revaluations recognised in other comprehensive income	112,480	123,860	8,042	375	532	245,289
Total	**118,569**	**111,419**	**7,756**	**(92)**	**(2,242)**	**235,410**

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

The Group engaged an independent appraiser to determine the fair value of all groups of property plant and equipment as at 31 December 2018. Valuation analysis and estimates of value, performed by the independent appraiser, were based on historical, current and prospective information, adjusted for any difference in nature, location or condition of the specific property compared to similar assets and benchmarks used.

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

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

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

- price per square meter – 167-582 USD;
- discount rate – 16.3%;
- terminal growth rate – 2.4%;
- inflation rate – 2.1-2.4%.

As at 31 December 2019, the cost of fully depreciated items of property, plant and equipment, which remain in use, amounted to USD 1,427 thousand (as at 31 December 2018, the Group did not have a fully depreciated items of property, plant and equipment, which remain in use).

If property, plant and equipment continued to be measured using cost model, their carrying amount would be as follows:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction-in-progress and uninstalled equipment*	*Total*
31 December 2018	71,609	120,816	5,867	1,648	28,805	228,745
31 December 2019	84,482	158,848	6,655	3,095	53,200	306,280

9. Intangible assets

Movement in intangible assets and related accumulated amortisation for the years ended 31 December 2019 and 2018 was as follows:

	Patents and trademark	*Accounting software*	*Other software*	*Intangible assets under development*	*Total*
Cost:					
At 1 January 2018	**101**	**1,898**	**1,682**	**989**	**4,670**
Additions	5	-	20	1,203	1,228
Transfers	2	536	193	(731)	-
Disposals	(37)	-	(12)	(5)	(54)
Translation difference	7	15	20	10	52
At 31 December 2018	**78**	**2,449**	**1,903**	**1,466**	**5,896**
Additions	-	-	-	1,139	1,139
Transfers	527	511	592	(1,630)	-
Disposals			(228)	(3)	(231)
Translation difference	50	428	344	214	1,036
At 31 December 2019	**655**	**3,388**	**2,611**	**1,186**	**7,840**
Accumulated amortisation and impairment:					
At 1 January 2018	**77**	**948**	**998**	**775**	**2,798**
Amortisation for the year	13	146	365	-	524
Disposals	(37)	-	(4)	-	(41)
Translation difference	2	17	1	11	31
At 31 December 2018	**55**	**1,111**	**1,360**	**786**	**3,312**
Amortisation for the year	6	196	494	-	696
Disposals	(45)	-	(98)	-	(143)
Translation difference	7	184	199	132	522
At 31 December 2019	**23**	**1,491**	**1,955**	**918**	**4,387**
Net book value:					
At 31 December 2018	**23**	**1,338**	**543**	**680**	**2,584**
At 31 December 2019	**632**	**1,897**	**656**	**268**	**3,453**

Accounting and other software is determined to have finite lives ranging from three to seven years; patents and trademark are determined to have finite lives ranging from three to eight years. Amortisation of intangible assets is included in general and administrative expenses in the consolidated statement of comprehensive income.

10. Investments in associates

The Group's investments in associates were as follows:

Entity	*Activity*	*% of the Group ownership*	*31 December 2019*	*31 December 2018*
PJSC "Nikopolsky Tooling Plant"	Tooling for machines	25%	564	630
PJSC "Nikopolsky Repairing Plant"	Repairs	25%	658	571
PJSC "Teplogeneratzia"	Utility services	30%	-	-
			1,222	**1,201**

CJSC "Teplogeneratzia", CJSC "Nikopolsky Tooling Plant" and CJSC "Nikopolsky Repairing Plant" are entities incorporated in Ukraine. They are private companies not listed on any public exchange.

The following table illustrates summarised financial information of the Group's investments in associates:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
At period beginning	1,201	918
Share of other comprehensive income	-	247
Share of (loss) / profit	(163)	35
Translation difference	184	1
At period end	**1,222**	**1,201**

The Group's share in net assets of its associates was as follows:

	PJSC "Teplo-generatzia"	*PJSC "Nikopolsky Tooling Plant"*	*PJSC "Nikopolsky Repairing Plant"*
At 31 December 2019			
Assets	-	1,496	1,180
Liabilities	-	(932)	(522)
Net assets – carrying amounts of investments	**-**	**564**	**658**

	PJSC "Teplo-generatzia"	*PJSC "Nikopolsky Tooling Plant"*	*PJSC "Nikopolsky Repairing Plant"*
At 31 December 2018			
Assets	-	1,435	1,187
Liabilities	-	(805)	(616)
Net assets – carrying amounts of investments	**-**	**630**	**571**

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

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	Revenue	*Profit / (Loss) for the year*	*Revenue*	*Profit / (Loss) for the year*
PJSC "Teplogeneratzia"	5,196	6	1,903	(27)
PJSC "Nikopolsky Repairing Plant"	10,530	(8)	2,300	37
PJSC "Nikopolsky Tooling Plant"	8,726	(161)	1,771	25

11. Investment in joint venture

In June 2018, Interpipe entered into a joint venture agreement with one of the world leaders in premium tubular solutions, Vallourec Tubes SAS (“Vallourec”). The parties invested into and launched the pipe finishing facility in Ukraine (Vallourec Niko Tube LLC) by creating a German limited liability company Vallourec Niko Tube Holding GmbH, where 49.9% is held by the Group (with the remainder comprising 50.1%. held by Vallourec). The operation of the pipe finishing mill started in October 2018. The mill finishes certain types of non-OCTG seamless tubes, which are then sold under the Vallourec brand. The interest in joint venture is accounted for using equity method in the Consolidated Financial Statements and its carrying amount so determined was USD 2,861 thousand and USD 3,230 thousand as at 31 December 2019 and 2018, respectively.

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

	31 December 2019	*31 December 2018*
Assets	2,861	3,357
Liabilities	-	(127)
Net assets – carrying amounts of investments	**2,861**	**3,230**

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

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Revenue from contracts with customers	-	-
Loss for the year (continuing operations)	(740)	-
Other comprehensive income (continuing operations)	-	-
Total comprehensive income (continuing operations)	(740)	-
Group’s share of loss for the year	**(369)**	-

The joint venture had no contingent liabilities or commitments as at 31 December 2019 and 2018.

Vallourec Niko Tube Holding GmbH cannot distribute its profits without the consent from the two venture partners.

12. Income tax

The components of income tax expense for the years ended 31 December 2019 and 2018 were as follows:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Current income tax expense	(22,794)	(5,324)
Deferred income tax benefit	36,333	30,465
	13,539	**25,141**

Income tax benefit / (expense) for the years ended 31 December 2019 and 2018 originated in the following tax jurisdictions:

	Domestic tax rates applicable to individual group entities as at			
	31 December 2019	*31 December 2018*	*For the year ended 31 December 2019*	*For the year ended 31 December 2018*
Ukraine	18%	18%	4,329	33,351
Russia	20%	20%	(904)	(2,580)
Switzerland	11%	11%	8,200	(6,032)
Germany	34%	34%	124	(210)
The USA	21%	21%	2,523	368
Cyprus	12.5%	12.5%	(476)	245
Kazakhstan	20%	20%	(257)	(1)
The UAE*	-	-	-	-
			13,539	**25,141**

* Tax benefit/(expenses) calculated at domestic rates applicable to individual Group entities for 2019 and 2018 were affected by the financial results of the Group subsidiary, Interpipe M.E, a free zone establishment with limited liability, which is not subject to corporate tax in the United Arab Emirates.

Profit/ (loss) before tax for financial reporting purposes is reconciled to tax benefit as follows:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Accounting profit/ (loss) before tax	**815,117**	**(73,120)**
Tax benefit/(expenses) calculated at domestic rates applicable to individual Group entities	(143,289)	427
Tax effect of non-deductible expenses	(1,058)	(13,689)
Tax effect of non-taxable incomes *	107,744	20
Change in unrecognised deferred tax assets	43,213	44,069
Recognition of the tax asset relating to the change in an estimate of deductibility of certain temporary difference	9,266	(3,379)
Result of change in tax rates	-	(2,275)
Translation difference	(385)	(126)
Other differences	(1,952)	94
	13,539	**25,141**

* Tax effect of non-taxable income for 2019 is mainly derived from the elements of the Gain on the Restructuring (Note 19) recorded in the Company's, the Former Parent's and the Performance Fee Debtor's accounts and calculated at the Cyprus domestic tax rate. Subsequent to the Restructuring, any costs or gains on remeasurement, related to evolution of certain of the constituent elements of the Gain on the Restructuring result (namely, the Exit Fee, the Performance Sharing Fee and/or the Proceeds Sharing Fee, if any) are treated as non-deductible expenses or non-taxable income. The interest cost (or any remeasurement gains/losses) on the Restructured borrowings are tax deductible (or taxable), accordingly.

Deferred tax assets and liabilities related to the following:

	31 December 2019	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2018*
Deferred tax liabilities:					
Investments valuation	(55)	10,315	-	(14)	(10,356)
Deemed cost adjustment of property, plant and equipment and difference in depreciation	(42,492)	5,304	-	(5,781)	(42,015)
	(42,547)	**15,619**	**-**	**(5,795)**	**(52,371)**
Deferred tax assets:					
Accrued liabilities and provisions	14,595	123	370	628	13,474
Allowance for expected credit loss	2,736	233	-	296	2,207
Inventories valuation	4,816	(4,162)	-	884	8,094
Loans and interest payable	217	(4,023)	-	279	3,961
Other deferred tax assets	437	(72)	-	54	455
Tax losses carried forward	73,254	(14,598)	-	6,658	81,194
	96,055	**(22,499)**	**370**	**8,799**	**109,385**
Unrecognized deferred tax asset	(38,283)	43,213	-	(4,904)	(76,592)
Deferred income tax benefit from origination and reversal of temporary differences		36,333	370		
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	**35,966**				**2,024**
Deferred tax liabilities	**(20,741)**				**(21,602)**

	31 December 2018	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2017*
Deferred tax liabilities:					
Investments valuation	(10,356)	(10)	-	-	(10,346)
Deemed cost adjustment of property, plant and equipment and difference in depreciation	(42,015)	(182)	(40,340)	64	(1,557)
	(52,371)	**(192)**	**(40,340)**	**64**	**(11,903)**
Deferred tax assets:					
Accrued liabilities and provisions	13,474	7,338	280	79	5,777
Allowance for doubtful accounts	2,207	365	-	(35)	1,877
Inventories valuation	8,094	2,823	-	(86)	5,357
Loans and interest payable	3,961	(3,478)	-	236	7,203
Other deferred tax assets	455	(7,765)	-	431	7,789
Tax losses carried forward	81,194	(12,694)	-	1,167	92,721
	109,385	**(13,411)**	**280**	**1,792**	**120,724**
Unrecognized deferred tax asset	(76,592)	44,069	-	(1,355)	(119,306)
Deferred income tax benefit from origination and reversal of temporary differences		30,465	(40,060)		
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	**2,024**				**2,689**
Deferred tax liabilities	**(21,602)**				**(13,174)**

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

Country of origination	*For the year ended 31 December 2019*	*For the year ended 31 December 2018*
Ukraine	39,172	59,896
Cyprus	31,974	21,047
The USA	1,858	-
Kazakhstan	250	240
Russia	-	11
	73,254	**81,194**

Tax losses carried forward are available for offset against future taxable profits of the companies in which the losses arose for 20 years in the USA, for 5 years in Cyprus, 10 years in Russia and Kazakhstan and indefinitely in all other jurisdictions.

As at 31 December 2019 and 2018, the Company has not recognised deferred tax liability in respect of temporary differences amounting to USD 44,655 thousand and USD 39,223 thousand, respectively, associated with investments in the Group subsidiaries as the Company is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

13. Inventories

Inventories consisted of the following:

	31 December 2019	*31 December 2018*
Raw materials	62,908	67,813
Work in process	17,800	20,182
Finished goods	114,292	67,372
	195,000	**155,367**

As at 31 December 2019 and 2018, the Group inventories balances are carried at lower of cost or net realizable value and, accordingly, the write down adjustments bringing the inventories to the net realisable values amounted to USD 14,686 thousand and USD 28,654 thousand, respectively.

As at 31 December 2019 and 2018, raw materials, work in process and finished goods, were pledged as a security for the Group's borrowings (Note 19):

	31 December 2019	*31 December 2018*
Raw materials	-	24,670
Work in process	-	17,747
Finished goods	23,874	47,647
	23,874	**90,064**

14. Trade and other accounts receivable

Trade and other accounts receivable consisted of the following:

	31 December 2019	*31 December 2018*
Trade accounts receivable	121,202	119,027
Less allowance for expected credit losses	(10,475)	(13,481)
	110,727	105,546
Other receivables	17,451	7,920
Less of allowance for expected credit losses	(7,923)	(7,094)
	9,528	826
	120,255	**106,372**

As at 31 December 2019, trade receivables with carrying amount of USD 33,487 thousand (2018: USD 41,860 thousand), were pledged as a security for the Group's borrowings (Note 19).

Movement in expected credit losses is disclosed in Note 35. As at 31 December 2019 and 2018, the allowance for impairment of trade accounts receivable included USD 319 thousand and USD 264 thousand, respectively, of the allowance that was determined individually in respect of debtors with significant financial difficulties or with estimated high probability of their insolvency. An impaired trade account receivable is written off against the allowance when there is no reasonable expectation of recovering the contractual cash flows. Trade receivables are non-interest bearing and are generally collected within a three-month term. As at 31 December 2019 and 2018, 68% and 60% of trade accounts receivable, respectively, were due from twenty major customers.

15. Prepayments and other current assets

Prepayments and other current assets consisted of the following:

	31 December 2019	*31 December 2018*
Prepayments to suppliers	14,533	24,869
Restricted bank deposit	8,163	3,954
Guarantee deposits	5,039	7,540
Prepaid insurance expense	663	528
Other current assets	1,194	1,804
	29,592	**38,695**

As at 31 December 2019 and 2018, the guarantee deposits represented restricted bank deposits relating to the letters of credit issued by banks in favour of the Group's suppliers and guarantees issued by banks in favour of the Group's customers with the contractual maturity exceeding 3-month period.

As at 31 December 2019 and 2018, restricted bank deposits with carrying amount of USD nil thousand and USD 315 thousand, respectively, were pledged as a security for the Group's borrowings (Note 19).

16. Taxes recoverable, other than income tax

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

	31 December 2019	*31 December 2018*
Value-added tax recoverable	17,515	18,582
Other taxes recoverable	82	5
	17,597	**18,587**

VAT recoverable primarily originated in Ukraine (Note 5).

17. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	31 December 2019	*31 December 2018*
Current accounts and deposits on demand at banks	229,043	108,734
Time deposits at banks with maturity less than three months	27,084	22,119
Cash in hand	21	31
	256,148	**130,884**

As at 31 December 2019 and 2018, cash and cash equivalents with carrying amount of USD 19,031 thousand and USD 33,778 thousand, respectively, served as a cash cover for the the letters of credit issued by banks in favour of the Group's suppliers and guarantees issued by banks in favour of the Group's customers with the contractual maturity of less than 3 months.

As at 31 December 2019 and 2018, cash and cash equivalents with carrying amount of USD 78,459 thousand and USD 46,529 thousand, respectively, were placed on the bank accounts subject to the security for the Group's borrowings (Note 19).

18. Subordinated Loan

In 2014, the shareholders provided the Group with the loan in the amount of USD 40 million to support its short-term liquidity position (the "Subordinated Loan") with the repayment subordinated (including interest accrued thereon) originally subject to 2011 Restructured facilities and EAF facilities (Note 19) priority and full settlement. The principal amount bore an interest at a rate of 10.5% per annum compounding annually.

As a result of the Restructuring, on 4 October 2019, the total amount of the Subordinated Loan with interest accrued to that date of USD 69,204 thousand was (i) reassigned from the Former Parent to the Company as the borrower, (ii) made interest-free and (iii) its maturity and repayment terms were reset and subordinated to the New Notes and the New Facility Agreement. Accordingly, as at that date, the carrying amount of the Subordinated Loan was remeasured and recognized at its fair value with subsequent accounting at amortized cost using EIR method (EIR of 10.25% p.a.) with the initial recognition gain taken directly to equity.

19. Borrowings and interest payable

As at 31 December 2018 and till the Restructuring Effective Date, the Group was in breach of certain financial and non-financial covenants provided by the Override Agreement, and the Existing Bonds' issue undertakings. On 10 October 2019, when the financial documents under the Restructuring were signed, and then, on 25 October 2019, the Restructuring Effective Date, the Group has completed and implemented the Restructuring (Note 2).

As at 31 December 2018 and as at 10 October 2019, the Group borrowings in default (all classified, as required by IAS 1.74., as current: due or claimable within 12 months from the date as a result of the above non-compliance) consisted of the following:

	10 October 2019	*31 December 2018*
Override Agreement and Existing working capital facilities (principal with PIK interest inclusive)	889,047	867,339
Existing Bonds (nominal amount)	200,000	200,000
	1,089,047	**1,067,339**
Interest accrued but not paid (overdue)	360,844	287,427
Default interests charges accrued but not paid (overdue)	29,999	21,804
	1,479,890	**1,376,570**

As at 31 December 2018, applicable interest rate and currency split for the Group bonds principal and nominal amount of the interest-bearing borrowings (grouped to categories/currencies/types of rate) comprised:

Applicable interest rates	*Currency*	*31 December 2018*	*Rate subtotal*	*Currency subtotal*
2011 Restructured facilities and EAF facilities*				
LIBOR (3mth) + 1.5% - 3.5%	USD	104,296		
LIBOR (3mth) + 4.0% - 6.0%	USD	18,697		
LIBOR (3mth) + 6.0%	USD	553,961		
Subtotal: Floating rate facilities			***676,954***	
fixed rate 6.53% - 9.03%	USD	86,278		
Existing Bonds				
fixed rate 10.25%	USD	200,000		
Existing working capital facilities				
fixed rate 6.00% – 15.75%	USD	67,912		
Subtotal: USD-denominated				***1,031,144***
fixed rate 13.25%	EUR	36,195		
Subtotal: EUR-denominated				***36,195***
Subtotal: Fixed rate facilities			***390,385***	
		1,067,339	**1,067,339**	**1,067,339**

* Former SACE facilities backed by Italian export credit agency (SACE) with the lenders under the EAF construction project finance.

As at 31 December 2019 and as at the Restructuring Effective Date, the Group borrowings comprised:

	31 December 2019	*25 October 2019*
New Facility Agreement (principal)	-	45,808
New Notes (nominal amount)	309,192	309,192
New WC Loans (principal)	22,500	45,000
Exit Fee (fair value)	24,543	24,108
Performance Sharing Fee (fair value)	59,619	58,559
	415,854	**482,667**
Interest accrued but not paid (current)	986	887
Lease liability	2,090	2,221
Interest payable on lease liability (current)	79	66
Current portion of long-term borrowings	**122,560**	**92,286**
Long-term borrowings	**296,449**	**393,555**

The New Notes are 10.25 per cent. senior secured notes with par value of USD 309,192,058.25 due in 2024 and included in the Securities Official List of the Luxembourg Stock Exchange. The New Facility Agreement is USD-denominated term facility with final contractual maturity on 31 December 2020, secured pari-pasu with the New Notes by the same assets pool pledged, bearing floating rate of 3mth LIBOR + 6.65% p.a. The New WC Loans are two USD-denominated working capital loans synchronized in rate and repayment profile with the New Facility Agreement but secured with different from the New Notes and the New Facility Agreement security asset pool.

As at 31 December 2019, the Group has prepaid all of its obligations under the New Facility Agreement. Subsequent to the year-end, the Group has also prepaid all of its obligations under the New WC Loans as well as redeemed a substantial part of its obligations under the New Notes (Note 37).

As discussed in Note 2, the Exit Fee is an obligation, contingent upon the Group inability to reach the Final Repayment Date before fourth anniversary of the Restructuring Effective Date (being 25 October 2023). Since the final contractual repayment of the New Notes is on 31 December 2024, the carrying amount of the Exit Fee was determined at fair value as the amortized cost of the USD 40 million liability using EIR method (EIR of 10.25% p.a.) and with the estimated date of payment on 31 December 2024.

As earlier discussed in Note 2, the Performance Sharing Fee (represented by the Performance Sharing Securities and obligations under the Performance Fee Agreement) is obligations, contingent upon the Group's performance after occurrence of the Final Repayment Date. As at 31 December 2019, the carrying amount of the Performance Sharing Fee is determined at its fair value based on the best management estimates available to-date: as an amortized cost of the liability using EIR method (EIR of 10.25% p.a.) and on the basis of final contractual repayment of the New Notes on 31 December 2024 (hence, based on the Group estimated performance in the Performance Assessment Period of 2025-2027 calendar years as the notional annual amount of USD 190 million of the Group EBITDA multiplied by the Applicable Percentage as follows: 20% for the 2025-2026 and 25% for 2027 financial years). The shift in payment for one year (to 2026-2028) plus 150 days after each of the years then ending – allowing for the relevant Assessment Period consolidated financial statements preparation – is also used in estimation of the timing of cash outflows related to the Performance Sharing Fee expected payment profile. The sensitivities of the Performance Sharing Fee carrying amount are further disclosed in Note 36.

As at 31 December 2019, the Group assessment of the fair value of the Early Settlement Option under the Performance Securities and the Performance Fee Agreement via one-off payment (details in Note 2) is nil – none of the currently feasible scenarios of the Group's performance development before the end of the Performance Assessment Period demonstrated economic substance (benefit for the Group) in the Early Settlement Option invocation.

As at 31 December 2019, no assessment is made for the Proceeds Sharing Fee element (details in Note 2) of the Performance Sharing Securities and obligations under the Performance Fee Agreement since (i) the amount and timing of the underlying capital transaction (if any) or the Net Proceeds thereof could not be reliably established, and (ii) there's no sufficient information as to the prior Performance Sharing Fee payment profile (deductible from the amount due and payable in respect of the Proceeds Sharing Fee).

As at 31 December 2019, the lease liability, which the Group has started recognizing upon IFRS 16 adoption as of 1 January 2019, comprised USD 1,545 thousand of long-term and USD 495 thousand of short-term obligations, accordingly.

Restructuring costs

In 2019, the restructuring costs incurred by the Group were recognised in the consolidated statement of comprehensive income as part of the Gain on the Restructuring, net of costs and consisted of the following:

	For the year ended 31 December 2019
Lock-up fee	6,000
Restructuring fee	31,000
Pre-agreed interest repaid under the Restructuring (notional interest)	78,370
Other fees, legal, advisory and process administration expenses	18,400
	133,770

In 2018, the restructuring costs incurred by the Group in amount USD 6,287 thousand consisting mainly of legal, advisory and process administration expenses (presentation of the Finance costs (Note 30) for the year ended 31 December 2018 was amended accordingly, were also recognised in the consolidated statement of comprehensive income (Note 4).

Gain on the Restructuring

The Gain on the Restructuring resulted from (i) derecognition of the carrying amounts of the Group borrowings on 10 October 2019, (ii) initial recognition on 25 October 2019 of the New Notes, New Facility Agreement, New WC Loans and contingent liabilities under the Exit Fee and the Performance Fee Agreements as well as the Performance Sharing Securities and (iii) the Restructuring costs incurred in 2019.

The Gain on the Restructuring was recognised in the consolidated statement of comprehensive income for 2019. The following table illustrates the Gain on the Restructuring composition:

	For the year ended 31 December 2019
Borrowings carrying amount as at 10 October 2019	1,479,890
Less:	
Carrying amount of borrowings and related liabilities as at the Restructuring Effective Date	(482,667)
Restructuring costs incurred in 2019	(133,770)
	863,453

The Restructuring constituted a derecognition event in accordance with IFRS 9.3.3.2 as: (i) the lenders before and after the Restructuring were the same, thus the Restructuring was considered a modification of debt by existing lenders in scope of IFRS 9.3.2.2 and (ii) the terms of modified liabilities are substantially different as net present value of the modified cash flows under the new terms is more than 10% different from the carrying amount of the original liability as at the Restructuring Effective Date.

In addition, all the lenders received the same restructuring deal irrespective of the terms and conditions of their individual original loans. This indicates that the individual instruments terms and conditions were not taken into account specifically. The different loans were not modified each in contemplation of their respective terms and conditions but, instead, replaced by a new uniform debt structure. For majority of the lenders converting into the New Notes, the Restructuring resulted in change of the interest rate from floating to fixed, for all of the lenders converting into the New WC Loans - the interest rate changed from fixed to floating. The terms of the Restructuring significantly alter the future economic risk exposure of the instrument (in particular, the New Notes and New Facility Agreement) by introduction of the Performance Fee linked to the Group's performance (see Note 2 and above). This fact pattern is similar to the argument considered by IFRIC (2012 May update) in making conclusion that such restructuring constitutes a derecognition event from holders' perspective.

Accordingly, carrying amount of the borrowings prior to the Restructuring were derecognized and the new liabilities arising from the Restructuring (including the Exit Fee and the Performance Sharing Fee elements as discussed above) were initially recognized at fair value. The total costs related to the Restructuring incurred by the Group in 2019 were deducted from the Gain on the Restructuring (in accordance with IFRS 9.B3.3.6) in the consolidated statement of comprehensive income.

Security package and pledges of assets

A summary of the pledges to secure the Group's obligations is set out below:

	31 December 2019	*31 December 2018*
Carrying amount of property, plant and equipment (Note 8)	466,268	405,690
Inventories (Note 13)	23,874	90,064
Trade receivables (Note 14)	33,487	41,860
Restricted bank deposits (Note 15)	-	315
Cash and cash equivalents placed on pledged bank accounts (Note 17)	78,459	46,529
Rights/title/interest under property, plant and equipment purchase agreements	-	80

As at 31 December 2019, the New Notes and the New Facility Agreement vis-a-vis the New WC Loans are secured by two separate portfolios of the Group assets pledged.

As at 31 December 2019, the New WC Loans were secured by pledge of the shares of one of the Group's subsidiaries, JSC "Interpipe Novomoskovsk Pipe-Production Plant", and certain of its property, plant and equipment with the carrying amount of USD 53,617 thousand.

As at 31 December 2019, all of the Group subsidiaries' shares and participatory interests, except for the ones' of presented in the below table and of JSC "Interpipe Novomoskovsk Pipe-Production Plant", as noted above, were pledged as collateral to secure Group's obligations under the New Notes and the New Facility Agreement:

Name of the company	*Country of incorporation*	*Business activities*
"Transkom - Dnepr" LLC	Ukraine	Transportation services
Society "Dishware Novomoskovsk" Ltd	Ukraine	Production of dishware
JSC "Interpipe Dneprovtormet"	Ukraine	Scrap metal processing
"META" LLC	Ukraine	Scrap metal processing
"Luganskiy Kombinat Vtormet" LLC	Ukraine	Scrap metal processing, dormant company
"Research and development center "Quality" LLC	Ukraine	Research and development
"Interpipe Management" LLC	Ukraine	Management services
"KLW Ukraine" LLC (former "KLW Production" LLC)	Ukraine	Trading
"Interpipe-M" LLC	Russia	Trading
"Interpipe Kazakhstan" LLC	Kazakhstan	Trading, dormant company
Interpipe Investments PLC	Cyprus	Performance Fee Debtor

The Group's obligations under the Performance Sharing Securities and Fee as well as under the Exit Fee are unsecured.

As at 31 December 2018, shares and participatory interest of subsidiaries as detailed in Note 32, except for "META" LLC and Interpipe Central Trade GmbH, were pledged as collateral to secure the Group's obligation under the 2011 Restructured facilities. As at 31 December 2018, the participatory interest in the "MP "Dneprosteel" LLC, Steel.One Limited and "Dneprosteel-Energo" LLC were pledged in favour of the 2011 Restructured facilities lenders on a second-ranking basis vis-a-vis the EAF facility lenders.

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including increase in the cost of borrowings, declaration of default and acceleration of repayment. As at 31 December 2019, the Group was in compliance with the covenants.

20. Provisions

Provisions and employee benefits included the following:

	31 December 2019	*31 December 2018*
Provision for customers' and other claims	70,593	38,924
Defined benefit state pension plan	36,757	27,513
Retirement benefit plan	2,529	2,018
	109,879	**68,455**
Provision – current portion	(74,270)	(43,279)
Provision – non-current portion	**35,609**	**25,176**

As at 31 December 2019 and 2018, amount of the provisions includes USD 68,663 thousand and USD 36,275 thousand of potential future costs related to insufficiency of information to prove technical feasibility and performance of the recently launched premium pipe products which are presently used by some of the Group's customers. Non-current portion of the provisions relates to defined benefit state pension plan and retirement benefit plan.

Changes in the provisions:

	Provision for customers' and other claims	*Defined benefit state pension plan*	*Retirement benefit plan*	*Total provisions*
At 1 January 2018	**2,056**	**24,319**	**1,453**	**27,828**
Charge for the year	38,688	5,224	684	44,596
Payments and utilisation	(135)	(2,313)	(131)	(2,579)
Reversal	(1,685)	-	-	(1,685)
Translation difference	-	283	12	295
At 31 December 2018	**38,924**	**27,513**	**2,018**	**68,455**
Charge for the year	32,467	7,646	388	40,501
Payments and utilisation	(876)	(2,786)	(203)	(3,865)
Reversal	(87)	-	-	(87)
Translation difference	165	4,384	326	4,875
At 31 December 2019	**70,593**	**36,757**	**2,529**	**109,879**

For the years ended 31 December 2019 and 2018, interest costs attributable to the defined employee benefits and amounting to USD 4,922 thousand and USD 3,753 thousand, respectively, were included in finance costs in the consolidated statement of comprehensive income.

Provision for customers' and other claims

Provision for customers' and other claims represents provision for probable losses and costs which the Group might incur relating to customers' possible future quality claims with respect to some new products and pipe solutions designed, delivered and sold by the Group where technical probation is still ongoing and other litigations (Note 34) filed against the Group in the courts. Charge, net of reversal, for the year ended 31 December 2019 amounted to USD 32,381 thousand (USD 37,003 thousand for the year ended 31 December 2018) is included in the consolidated statement of comprehensive income.

Defined benefit state pension plan

Production subsidiaries of the Group domiciled in Ukraine have a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the former and existing employees of the Group. Under the plan the Group's employees who have qualifying working experience in health hazardous environment and thus eligible to early retirement are entitled to additional compensations financed by the Group and paid through the Ukrainian State Pension Fund. These obligations fall under definition of a defined benefit plan.

The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position with respect to the plan. Benefit expense, with the exception of interest cost, is included in payroll and related expenses within costs of sales (Note 20). Interest cost is included in finance costs (Note 30).

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

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Interest cost (Note 30)	4,586	3,548
Current service cost	771	468
Past service cost	-	-
	5,357	**4,016**

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

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Present value at the beginning of the year	27,513	24,319
Current service cost	771	468
Past service cost	-	-
Interest cost (Note 30)	4,586	3,548
Payment	(2,731)	(2,313)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	1,246	984
- experience adjustments	1,043	224
Translation difference	4,329	283
Present value at the end of the year	**36,757**	**27,513**

The average duration of the defined benefit state pension plan at the end of the reporting period is 16.5 years (2018: 15.9 years).

Retirement benefit plan

Some production subsidiaries of the Group domiciled in Ukraine have contractual commitments to pay certain lump-sum payments to the retiring employees with a long service period as well as certain other post retirement and employment benefits according to the collective agreements. The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position with respect to the plan. Benefit expense, with the exception to interest cost, is included in payroll and related expenses within cost of sales and general and administrative expenses as appropriate. Interest cost is included in the finance costs (Note 30).

Benefit expense recognised in the consolidated statement of comprehensive income

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Interest cost (Note 30)	336	205
Current service cost	94	130
Past service cost	-	6
	430	**341**

Changes in the present value of retirement benefit plan

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Present value at the beginning of the year	2,018	1,453
Current service cost	94	130
Past service cost	-	6
Interest cost (Note 30)	336	205
Payment	(199)	(129)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	(4)	128
- experience adjustments	(38)	215
Translation difference	322	10
Present value at the end of the year	**2,529**	**2,018**

The average duration of the retirement benefit plan at the end of the reporting period is 17.5 years (2018: 18.1 years).

Principal assumptions applicable to all plans

The principal assumptions used in determining defined benefit obligations for the Group's defined benefit plans are shown below:

	31 December 2019	*31 December 2018*
Annual discount rate	13.5%	14.0%
Annual salary increase rate	14.0% in 2020, 5.5% afterwards	15.7% in 2019, 6.5% afterwards
Annual pension increase rate	10.0% in 2020, 5.0% afterwards	18.0% in 2019, 6.1% afterwards
Staff turnover	8%	8%

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption as at 31 December 2019 is as shown below:

Assumptions	*Discount rate*		*Future salary increases*		*Staff turnover*	
Sensitivity Level	*1% increase*	*1% decrease*	*1% increase*	*1% decrease*	*25% increase*	*25% decrease*
Impact on the net defined benefit obligation	(4,580)	(7,773)	(2,353)	(1,855)	(1,202)	(2,837)

The sensitivity analysis above were made based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

21. Trade and other accounts payable

Trade and other accounts payable consisted of the following:

	31 December 2019	*31 December 2018*
Trade accounts payable to suppliers	54,390	65,251
Dividends payable to non-controlling interest owners	253	209
Other accounts payable	5,075	2,401
	59,718	**67,861**

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

22. Advances and other current liabilities

Advances and other current liabilities consisted of the following:

	31 December 2019	*31 December 2018*
Advances from customers	129,058	20,977
Short-term employee benefits	20,309	17,353
Other current liabilities	995	2,617
	150,362	**40,947**

Advances from customers comprise the advances received for the Group's products which are to be supplied to these customers within a twelve-month period.

23. Taxes payable, other than income tax

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

	31 December 2019	*31 December 2018*
Accrued and withheld payroll taxes	2,396	1,749
VAT payable	1,091	1,797
Property tax payable	-	102
Other miscellaneous taxes payable	669	757
	4,156	**4,405**

24. Cost of sales

Cost of sales consisted of the following:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Materials	(454,193)	(407,855)
Energy and utilities	(102,433)	(170,930)
Payroll and related expenses *	(75,216)	(50,769)
Depreciation	(61,878)	(42,121)
Foreign exchange cash flow hedge (Note 36)	(54,695)	(57,214)
Rolling tools and instruments	(24,323)	(16,461)
Repairs and maintenance	(18,152)	(15,455)
Land tax and land lease expenses	(6,337)	(7,756)
Reversal of adjustment/ (write down) of inventories to NRV (Note 13)	17,757	(12,159)
Other	(30,483)	(23,240)
	(809,953)	**(803,960)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 13,184 thousand for the year ended 31 December 2019 (31 December 2018: USD 8,948 thousand).

25. Selling and distribution expenses

Selling and distribution expenses consisted of the following:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Forwarding and transportation services	(59,102)	(59,883)
Custom services and duties	(44,330)	(57,347)
Payroll and related expenses *	(19,004)	(11,884)
Storage and packaging expenses	(7,170)	(8,183)
Professional fees, related to market research, and other service fees	(4,574)	(2,883)
Sales agency fees	(1,167)	(3,027)
Depreciation	(1,012)	(855)
Advertising and promotion	(716)	(1,260)
Insurance expense	(40)	(50)
Expected credit (losses)/ impairment reversals of trade receivables (Note 35)	2,128	(6,715)
Other	(1,949)	(3,709)
	(136,936)	**(155,796)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 2,332 thousand for the year ended 31 December 2019 (31 December 2018: USD 1,043 thousand).

26. General and administrative expenses

General and administrative expenses consisted of the following:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Payroll and related expenses *	(23,515)	(28,980)
Professional fees	(10,319)	(12,715)
Depreciation and amortisation	(2,690)	(1,687)
Business trips and transportation	(2,134)	(1,804)
Taxes, other than income tax	(798)	(1,704)
Rent (for items exempt under IFRS 16 – low-value and short-term)	(607)	(1,154)
Insurance expense	(488)	(413)
Communication	(452)	(432)
Bank fees	(421)	(525)
Repairs and maintenance	(374)	(220)
Other	(1,716)	(1,511)
	(43,514)	**(51,145)**

* Payroll and related expenses line includes social insurance and other payroll related taxes in amount of USD 2,036 thousand for the year ended 31 December 2019 (31 December 2018: USD 3,284 thousand).

Auditors' remuneration

Auditors' remuneration for the year ended 31 December 2019 is included in professional fees above and comprises statutory audit fee for the audit of the Consolidated Financial Statements and stand-alone financial statements of certain Group subsidiaries of USD 620 thousand (2018: USD 530 thousand) as well as non-audit fees of USD 43 thousand (2018: USD 31 thousand).

27. Other operating income and expenses

Other operating income and expenses consisted of the following:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Loss on disposal of property, plant and equipment and intangible assets	(2,542)	(3,358)
Maintenance of social assets	(1,323)	(1,586)
Impairment of other assets	(686)	(637)
Reversal of impairment of prepayments /(write-off) of other assets	7,001	(4,622)
Other gain / (loss)	1,030	(248)
Customers' and other claims, net of reversals	211	418
Gain / (loss) on disposal of by-products	156	(861)
Effect of revaluation of property, plant and equipment (Note 8)	-	11,299
	3,847	**405**

28. Operating and non-operating foreign exchange difference

Foreign currency translation differences on monetary assets and liabilities consisted of the following;

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Operating foreign exchange gains / (losses) originated on		
trade accounts receivable	(45,034)	(5,753)
settlements with suppliers	3,448	435
other operating exchange difference	(11,210)	(3,168)
	(52,796)	**(8,486)**
Non-operating foreign exchange gains / (losses) originated on		
loans payable other than those designated as hedging items	(398)	10,110
cash balances	(2,255)	(918)
	(2,653)	**9,192**

29. Finance income

Finance income consisted of the following:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Interest income	2,684	1,502
Other finance income	99	8
	2,783	**1,510**

30. Finance costs

Finance costs consisted of the following:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Interest expense prior to the Restructuring	(114,331)	(127,086)
Interest expense on the Restructured borrowings (Note 19)	(7,730)	-
Defined benefit state pension plan interest costs (Note 20)	(4,586)	(3,548)
Insurance expenses	(1,955)	(1,672)
Retirement benefit plan interest costs (Note 20)	(336)	(205)
Other finance costs	(2,006)	(234)
	(130,944)	**(132,745)**

31. Equity

The Group was formed in April – September 2006 through a series of transactions that ultimately resulted in the Former Parent obtaining controlling ownership interest in the subsidiaries from entities which were under common control at the time of the above reorganisation. As part of the reorganisation all the shares of the Former Parent have been transferred to and, since 2006 are ultimately held by a number of discretionary trusts established to operate the Group as well as certain other investments.

As part of the Restructuring in 2019 (Note 2), the new parent for the Group (the Company), with substantially the same ownership structure (held by the same discretionary trusts) as the Former Parent (see details below), was established. Accordingly, the Former Parent became a subsidiary of the Company and an interim holding company within the Group holding structure.

Mr. Viktor Pinchuk, a citizen of Ukraine, and his family members are beneficiaries of these discretionary trusts. The trustees engaged to manage the trusts are professional, experienced and reputable trust management companies.

Issued capital and capital distribution of the Former Parent (Interpipe Limited)

Upon its incorporation on 30 December 2005, the Former Parent issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of CY£1 each at par. On 22 December 2006 the Former Parent issued 4,000 additional ordinary shares of CY£1 each at a premium of CY£ 41,033 each for a total premium of CY£164,132 thousand, which is equivalent to USD 361,091 thousand, translated at historic rate.

During the period from March to June 2008 a set of amendments was made to the authorised share capital of the Former Parent, including conversion of the authorised share capital into euro, a subdivision of existing shares, a merge of the Company's shares and two additional issues of shares both before the merge and after it.

In December 2011, the Former Parent issued 1,950,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 26 thousand) at a premium of EUR 25 each for a total premium of EUR 48,591 thousand, which is equivalent of USD 64,974 thousand, translated at historic rate.

In 2019, the Former Parent issued 50,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 1 thousand). This newly issued shares of the Former Parent were allocated to the Company in exchange for contribution of the Group intercompany loans (which the Company became party to in a capacity of the lender - as a result and consequence of assignments of the third-party borrowings from the Group non-Cyprus subsidiaries to the Company to act in a capacity of the borrower to such external third-party lenders as was required by the Restructuring terms and conditions) in two transactions as follows:

(i) the first lot of 25,000 ordinary shares at a premium of EUR 15,800 thousand each for a total premium of EUR 395 million, which is equivalent of USD 434 million, translated at historic rate, and

(ii) the second lot of 25,000 ordinary shares at a premium of EUR 4,640 thousand each for a total premium of EUR 116 million, which is equivalent of USD 129 million, translated at historic rate.

As a result of the above mentioned transactions, as at 31 December 2019 and 2018, the number of shares amounted to 4,002,000,000 and 4,001,950,000 ordinary shares, respectively, of EUR 0.01 each and the authorised, issued and fully paid capital of the Former Parent amounted to EUR 40,020 thousand and EUR 40,019 thousand, respectively (equivalent of USD 62,305 thousand and USD 62,304 thousand, respectively). The shares of the Former Parent are not listed.

Issued capital and capital distribution of the Company (Interpipe Holdings PLC)

Upon its incorporation on 4 April 2019, the Company issued and allotted to the subscribers of its Memorandum of Association 5,000 ordinary shares of EUR 1 each (equivalent of USD 6 thousand). Further, on 11 July 2019, the Company issued additional 25,000 ordinary shares of EUR 1 each (equivalent of USD 28 thousand) and allotted them to substantially the same subscribers as upon its incorporation.

The subscribers under the Company's Memorandum of Association (as well as under the further additional subscription) are the same discretionary trusts – shareholders of the Former Parent. The allocation of the Company's shares retain the same holding structure of the shareholders as existed in the Former Parent's share capital.

The following transactions with the Company's ordinary shares were carried out in 2019, prior to the Restructuring Effective Date:

(i) All, but one, of the Company's shareholders have exchanged 4,001,949,200 ordinary shares in the Former Parent for the Company's 4,340 ordinary shares retaining the holding structure and proportions vis-à-vis each other substantially the same as existed in the share capital of the Former Parent. The exchange resulted in (i) the Former Parent becoming a 99.99998% subsidiary of the Company and (ii) par value of the shares of EUR 4,340 (equivalent of USD 5 thousand) were exchanged for the respective value of the Former Parent equity in amount of EUR 40,015 thousand (equivalent of USD 44,282 thousand) thus, at a premium of USD 44,277 thousand, (iii) the Group retained the same composition and structure which assured seamlessness of the Group corporate reporting framework and (iv) the remainder 800 ordinary shares of the Former Parent are retained by one of the Company's shareholders and constitute a minority interest of 0.00002% for the Company holding the Former Parent as well as has immaterially (USD 28 thousand) dilutive impact on the Group subsidiaries effective ownership (Note 32).

(ii) One of the shareholders paid USD 50 million cash equity contribution (as required by the Restructuring – Note 2) in exchange for the Company's 10 ordinary shares with par value of EUR 10 (equivalent of USD 0 thousand) thus, at a premium of USD 50,000 thousand.

The shares of the Company are not listed.

Unpaid share capital

As at 31 December 2019, the Company's 25,650 ordinary shares at par value of EUR 26 thousand (equivalent of USD 29 thousand) remained unpaid.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of property, plant and equipment as well as decreases to the extent that such decreases relate to any prior increase on the same asset previously recognised in OCI. Revaluation reserve is limited in respect of dividends distribution.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries denominated in their respective functional currencies into the Group reporting currency as well as monetary items that form part of the net investment in these subsidiaries.

Cash flow hedge reserve

Cash flow hedge reserve is used to record the effective portion of the gain or loss on the hedging instrument in other comprehensive income. Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale occurs.

Dividends payable by the Company and its subsidiaries

There were no dividends declared by the Company or its subsidiaries and/or by the Former Parent or its subsidiaries that should be paid to the shareholders for the years ended 31 December 2019 and 2018.

32. Principal subsidiaries

The Group included the following subsidiaries as at 31 December 2019 and 2018:

Name of the company	*Country of incorporation*	*Business activities*	*Effective ownership* 31 December 2019	*Effective ownership* 31 December 2018
PJSC “Interpipe Nizhnedneprovsky Tube Rolling Plant”	Ukraine	Production of seamless pipes and railway wheels	93.92998%	93.93%
JSC “Interpipe Novomoskovsk Pipe-Production Plant”	Ukraine	Production of welded pipes	89.23998%	89.24%
“Interpipe Niko Tube” LLC	Ukraine	Production of seamless pipes	99.99998%	100.00%
“MP “Dneprosteel” LLC	Ukraine	Production of steel billets	99.99998%	100.00%
“Dneprosteel-Energo” LLC	Ukraine	Resale of electricity	99.99998%	100.00%
“Transkom - Dnepr” LLC	Ukraine	Transportation services	99.99998%	100.00%
“Limestone factory” LLC	Ukraine	Production of limestone	93.93998%	93.93%
Society "Dishware Novomoskovsk" Ltd	Ukraine	Production of dishware	89.23998%	89.24%
JSC “Interpipe Dneprovtormet”	Ukraine	Scrap metal processing	98.66998%	98.67%
“META” LLC	Ukraine	Scrap metal processing	98.66998%	98.67%
“Luganskiy Kombinat Vtormet” LLC	Ukraine	Scrap metal processing, dormant company	98.66998%	98.67%
“Research and development center “Quality” LLC	Ukraine	Research and development	99.99998%	100.00%
“Interpipe Management” LLC	Ukraine	Management services	99.99998%	100.00%
“Interpipe Ukraine” LLC	Ukraine	Trading	99.99998%	100.00%
“KLW Ukraine” LLC (former “KLW Production” LLC)	Ukraine	Trading	99.99998%	100.00%
“Interpipe-M” LLC	Russia	Trading	99.99998%	100.00%
“Interpipe Kazakhstan” LLC	Kazakhstan	Trading, dormant company	99.99998%	100.00%
Interpipe Europe SA	Switzerland	Trading	99.99998%	100.00%
Klw-Wheelco SA	Switzerland	Trading	99.99998%	100.00%
North American Interpipe, Inc	The United States	Trading	99.99998%	100.00%
Interpipe M.E, a free zone establishment with limited liability	The United Arab Emirates	Trading	99.99998%	100.00%
Interpipe Central Trade GmbH	Germany	Trading	99.99998%	100.00%
Steel.One Limited	Cyprus	Subholding	99.99998%	100.00%
KLW Limited (former Saleks Investments Limited)	Cyprus	Subholding	99.99998%	100.00%
Interpipe Limited	Cyprus	Former Parent Subholding,	99.99998%	n/a
Interpipe Investments PLC	Cyprus	Performance Fee Debtor	94.00%	n/a

Except as discussed in Notes 2 and 31 regarding rearrangements within the holding structure of the Group (introduction of the Company, as a new holding company, instead of the Former Parent) and establishment of Interpipe Investments PLC, acting as the Performance Fee Debtor – as was required by the Restructuring, there were no acquisitions in 2019 and 2018.

33. Related party transactions

The Group defines related parties in accordance with IAS 24 "Related Party Disclosures". IAS 24 focuses significantly on the concept of "control" (including common control) and "significant influence" as primary methods of related party identification.

During years ended 31 December 2019 and 2018, the Group's transactions with its related parties comprised those with its associates (Note 10), shareholders, key management personnel and other related parties.

Transactions with associates and other related parties

The transactions and outstanding balances of the Group with its related parties are presented below:

	2019			*2018*		
	Associates	*Other*	*Total*	*Associates*	*Other*	*Total*
Transactions:						
Sales	2,261	1,599	3,860	1,827	1,477	3,304
Purchases	10,319	6,451	16,770	9,843	2,858	12,701
General and administrative expenses	-	149	149	-	400	400
Finance income	-	1,343	1,343	-	545	545
Outstanding balances:						
Cash and cash equivalents	-	9,118	9,118	-	30,621	30,621
Amounts owed to the Group	9,706	292	9,998	7,333	253	7,586
Amounts owed by the Group	6,605	433	7,038	4,139	20,214	24,353

Terms and conditions of transactions with associates and other related parties

The sales to and purchases from the related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2019, the Group has recorded an impairment charge relating to receivables from the related parties amounting to USD 2,911 thousand (2018: 2,999 thousand). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

As at 31 December 2019 and 2018, cash and cash equivalents in the related party bank comprised USD 9,118 thousand and USD 30,621 thousand, respectively. This amount consists of cash on current accounts and/or in transit and bank deposits including guarantee deposits maturing in less than 3 months from the respective balance sheet dates (Note 17). Finance income in 2019 amounting to USD 1,343 thousand (2018: USD 545 thousand) relates to interest paid by the related party bank to the Group. As at 31 December 2019 and 2018, there were no outstanding loan balances due to the related party bank.

Transactions with shareholders

Subordinated Loan

Details of the Subordinated Loan are disclosed in Note 18.

Equity contributed by shareholders as a result of the Restructuring

In 2019, in the context of the Restructuring, one of the Company's shareholders contributed USD 50,000 thousand cash equity as well as provided the Group with a standby letter of credit in the amount of USD 20,000 thousand (Notes 2, 31).

Accounts payable to shareholders

As at 31 December 2019, accounts payable to shareholders, included in other accounts payable and, amounted to USD 236 thousand, (2018: USD 240 thousand) were interest free, unsecured and payable on demand.

Compensation to key management personnel

Key management personnel of the Group as at 31 December 2019 comprised:

The members of the Board of Directors:

Name	Function
Andrii Dudnyk	Non-Executive Director
Ganna Khomenko	Non-Executive Director
Yakiv Konstantynivs'ky	Non-Executive Director
Iuliia Chebotarova	Non-Executive Director
Oleksandr Kirichko	Non-Executive Director
Philippe Bideau	Independent Non-Executive Director
Fadi Khraybe	Chief Executive Officer of Interpipe Holdings PLC

The Company's Board of Directors was formed on 1 November 2019 in the same composition as the Former Parent's Board of Directors. In 2019, prior to the Company's Board of Directors formation, Michael Tsarev and Ulrich Becker have left the Former Parent's Board of Directors.

Senior Management of the Group as at 31 December 2019 and 2018 comprised eleven and fourteen persons (including the CEO who is also a member of the Board of Directors), respectively.

For the year ended 31 December 2019, total compensation, comprising short-term employee benefits, to the members of the Board of Directors amounted to USD 2,082 thousand (2018: USD 1,732 thousand) and total compensation to the members of Senior Management of the Group amounted to USD 6,189 thousand (2018: USD 5,581 thousand). The compensation was included in general and administrative expenses in the consolidated statement of comprehensive income.

In addition to the above no other incentives were attributable to the key management personnel of the Group.

34. Commitments, contingencies and operating risks

Operating environment

The Group has significant operations in Ukraine and, to a substantially lower and diminishing scope, in Russia and some other CIS countries, whose economies while deemed to be of market status continue to display certain characteristics consistent with those of an economy in transition. These characteristics include, but are not limited to low levels of liquidity in the capital markets, relatively high inflation and the existence of currency controls which cause the national currencies to be illiquid outside of these countries. These countries continue economic reforms and development of their legal, tax and regulatory frameworks as required by a market economy. The future stability of the economies is largely dependent upon the success of these reforms and the effectiveness of economic, financial and monetary measures undertaken by their governments. As a result, operations in Ukraine, Russia and other CIS countries involve risks that are not typical for developed markets.

All of the above factors, as disclosed in Note 2 "Operating environment and risks of the Group", had already affected and may have a further adverse effect on the Group's consolidated financial position and results of operations.

Taxation

Ukrainian as well as Russian and other CIS countries' legislations and regulations regarding taxation and other regulatory matters, including currency exchange control and custom regulations, continue to evolve. The legislations and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations continue to be not unusual.

The Ukrainian tax authorities have been seen to consistently increase their audit activity for transactions with non-resident entities, to which they seek to apply such relatively new requirements as "beneficial ownership", "substance over form", and other similar principles. They also have started to enforce more vigorous and stringent transfer pricing rules introduced in Ukraine in 2013. The transfer pricing legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation.

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

Management has implemented internal controls to be in compliance with such regulatory and tax compliance matters in the countries where the Group operates, including new Ukrainian transfer pricing legislation and believes that its interpretation of the relevant legislations is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable. Where the risk of outflow of resources is probable, the Group has accrued tax liabilities based on management's best estimate.

Nevertheless, the uncertainty related to inconsistent enforcement and application of the tax legislation in the above countries creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities, which cannot be reliably estimated, but, if sustained, could have a material effect on the Group's financial position, results of operations and cash flows. Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises operating in Ukraine, Russia or other CIS countries. When it is not considered probable that a material claim will arise, no provision has been established in the Consolidated Financial Statements. Management further believes that ascertained risks of possible outflow of resources arising from tax and other regulatory compliance matters are immaterial as at 31 December 2019 and 2018.

Litigations

In 2016, one of the lenders under Override Agreement with the amount of USD 13.9 million due from the Group, presented a winding up petition in respect of the Former Parent before the District Court of Nicosia (Cyprus). Further, in 2016, lenders filed several lawsuits in Ukrainian courts against the Group claiming repayment of the past due obligations (the loan principal and related interest payable) in amount of USD 129 million. The lawsuits and petition, as those initiated by the above lenders, so as any other similar or related to instances of the defaults prior to the Restructuring, as disclosed in Note 2 "Financial Restructuring Completion and Implementation", were accounted for and overridden by the terms and conditions of the Restructuring and should have no further adverse effect either on the Group's consolidated financial position or the results of its operations.

As at 31 December 2019 and 2018, North American Interpipe, Inc, PJSC "Interpipe Nizhnedneprovsky Tube Rolling Plant" and "Interpipe Niko Tube" LLC were defendants in several litigations with a total potential claimed payments amounting to approximately USD 418 thousand and USD 1,372 thousand, respectively. Provision for probable adverse consequences of the above cases amounting to USD 418 thousand and USD 1,372 thousand was included in total provision for customers' and other claims in the consolidated statement of financial position as at 31 December 2019 and 2018, respectively (Note 20).

In addition to the specific cases mentioned above, in the ordinary course of business the Group is subject to legal actions and complaints. As at 31 December 2019 and 2018, provisions have been made in respect of these cases amounting to USD 69 thousand and USD 129 thousand, respectively. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the consolidated financial position or the results of future operations of the Group.

Perpetual land lease rights

The Group has the right of permanent use of the land plots on which its Ukrainian production facilities are located, and pays land tax as assessed annually by the state based on the total area and use for which the land is zoned. The Group assessed the terms of land plots permanent use arrangements and concluded that related payments should not be capitalised as they do not meet respective criteria set by IFRS 16.

Contractual commitments for the acquisition of property, plant and equipment

As at 31 December 2019 and 2018, the Group's contractual commitments for acquisition and modernisation of production equipment amounted to USD 10,510 thousand and USD 18,366 thousand, respectively.

35. Financial instruments

Carrying amount of financial assets

The carrying amounts of financial assets measured at amortized costs consisted by categories of the following:

	31 December 2019	*31 December 2018*
Trade and other accounts receivable (Note 14)	120,255	106,372
Prepayments and other current assets (Note 15)	13,202	11,494
Cash and cash equivalents (Note 17)	256,148	130,884
	389,605	**248,750**

None of the above assets is individually materially credit-impaired and there has been no significant increase in credit risk since initial recognition. The amounts presented above also represent the maximum exposure to credit risk.

The loss allowance as at 31 December 2019 and 2018 is based on the simplified approach for lifetime expected credit losses and is presented in the table below.

	Expected credit loss weighted rate 2019	*Expected credit loss weighted rate 2018*	*31 December 2019*	*31 December 2018*
Current	2%	7%	1,329	4,188
Past due up to 3 month	7%	2%	2,028	766
Past due from 3 month up to 6 month	27%	75%	1,864	4,963
Past due over 6 month	42%	63%	5,254	3,564
Total expected credit loss			**10,475**	**13,481**

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

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
At period beginning	13,481	5,476
Effect of IFRS 9 adoption (Note 3)	-	2,427
(Recovery)/ charge for the year (Note 25)	(2,128)	6,715
Write-off	(1,339)	(992)
Translation difference	461	(145)
At period end	**10,475**	**13,481**

Carrying amount of financial liabilities

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

	31 December 2019	*31 December 2018*
Subordinated Loan (Note 18)	42,462	59,938
Borrowings and interest payable (Note 19)	416,840	1,376,570
Trade and other accounts payable (Note 21)	59,718	67,861
	519,020	**1,504,369**

Changes in liabilities arising from financing activities:

	1 January 2019	*Changes from financing cash flows*	*Effect on equity*	*Interest, finance costs and other changes*	*31 December 2019*
Borrowings and interest payable (Note 19):					
Borrowings and interest payable	1,376,570	-	-	(1,376,570)	-
New Facility Agreement	-	(45,808)	-	45,808	-
New Notes	-	-	-	309,192	309,192
New WC Loans	-	(22,500)	-	45,000	22,500
Exit Fee	-	-	-	24,543	24,543
Performance Sharing Fee	-	-	-	59,619	59,619
Lease liability	-	-	-	2,090	2,090
Interest accrued but not paid	-	-	-	986	986
Interest payable on lease liability	-	-	-	79	79
	1,376,570	(68,308)	-	(889,253)	419,009
Subordinated Loan (Note 18)	59,938	-	(26,742)	9,266	42,462
Total	**1,436,508**	**(68,308)**	**(26,742)**	**(879,987)**	**461,471**

	1 January 2018	*Changes from financing cash flows*	*The effect of changes in foreign exchange rates*	*Interest, finance costs and other changes*	*31 December 2018*
Borrowings and interest payable (Note 19)	1,278,467	(929)	(2,285)	101,317	1,376,570
Subordinated Loan (Note 18)	40,000	-	-	19,938	59,938
Total	**1,318,467**	**(929)**	**(2,285)**	**121,255**	**1,436,508**

36. Financial risk management

The Group's principal financial instruments comprise trade receivables and payables, interest bearing loans due to banks, bonds issued, cash and cash equivalents. The main purpose of these financial instruments is to provide funding for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The Group may also from time to time enter into derivative transactions, primarily forward currency contracts. The purpose is to manage currency risks arising from Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

Foreign currency risk

The Group performs its operations mainly in the following currencies: the Ukrainian hryvnia ("UAH"), the US dollar ("USD"), the Euro ("EUR") and the Russian rouble ("RUB").

The exchange rate of USD to UAH and related cross-rates to other currencies as set by the National Bank of Ukraine ("NBU") as at the dates stated were as follows:

	100 UAH	*1 EUR*	*100 RUB*
As at 31 December 2019	4.222	1.1155	1.6111
As at 31 December 2018	3.612	1.1454	1.4384

The Group sells its products to Europe, Russia, Middle East and Africa, Americas and other regions; purchases materials from other countries; and attracts substantial amounts of foreign currency denominated short-term and long term borrowings, and is, thus, exposed to foreign exchange risk. Foreign currency denominated trade receivables and payables, and borrowings give rise to foreign exchange exposure.

The following tables demonstrate USD equivalents of the monetary assets and liabilities originally denominated in different currencies, as at 31 December 2019 and 2018:

As at 31 December 2019	*UAH*	*USD*	*EUR*	*RUB*	*Other*	***Total***
Other non-current assets	131	125	-	-	-	**256**
Trade and other accounts receivable	41,048	53,372	23,094	2,717	24	**120,255**
Cash and bank deposits	33,619	158,512	31,404	32,162	451	**256,148**
	74,798	**212,009**	**54,498**	**34,879**	**475**	**376,659**
Subordinated Loan	-	42,462	-	-	-	**42,462**
Borrowings and interest payable	-	419,009	-	-	-	**419,009**
Trade and other accounts payable	35,965	8,064	15,144	500	45	**59,718**
	35,965	**469,535**	**15,144**	**500**	**45**	**521,189**

As at 31 December 2018	*UAH*	*USD*	*EUR*	*RUB*	*Other*	***Total***
Other non-current assets	55	125	-	-	-	**180**
Trade and other accounts receivable	32,177	46,292	21,335	6,456	112	**106,372**
Cash and bank deposits	38,497	60,784	31,121	349	133	**130,884**
	70,729	**107,201**	**52,456**	**6,805**	**245**	**237,436**
Subordinated Loan	-	59,938	-	-	-	**59,938**
Borrowings and interest payable	-	1,340,375	36,195	-	-	**1,376,570**
Trade and other accounts payable	42,739	5,346	19,394	317	65	**67,861**
	42,739	**1,405,659**	**55,589**	**317**	**65**	**1,504,369**

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant:

For the year ended 31 December 2019	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+14.00%	30,676	(129,422)
EUR/UAH	+15.00%	16,616	-
RUB/UAH	+16.00%	5,489	-
EUR/USD	+8.00%	(7,456)	-
USD/UAH	-11.00%	(24,102)	101,689
EUR/UAH	-13.00%	(14,401)	-
RUB/UAH	-14.00%	(4,803)	-
EUR/USD	-8.00%	7.456	-

For the year ended 31 December 2018	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+7.94%	1,434	(71,014)
EUR/UAH	+9.94%	6,606	(3,632)
RUB/UAH	+7.36%	1,756	-
EUR/USD	+2.68%	(1,287)	-
USD/UAH	-2.10%	(379)	18,790
EUR/UAH	-2.82%	(1,876)	1,031
RUB/UAH	-0.56%	(135)	-
EUR/USD	-0.89%	429	-

Cash flow hedging of the future intragroup revenues

The hedging instrument is non-derivative financial liabilities of the Group represented by debts and loans denominated in foreign currencies. The hedged item is highly probable intercompany revenue denominated in foreign currencies and expected to be generated during the risk management period in the amount equal to the carrying value of the hedging instruments.

The Group, in particular its Ukrainian subsidiaries, are exposed to foreign currency risk related to their USD and EUR nominated export revenue, which is primarily intragroup. The subsidiaries drawn their borrowings in the same currencies as the forecasted revenue streams to economically hedge the foreign currency risk exposure. On 1 January 2014 a portion of future monthly intragroup export revenues expected to be received in USD and EUR over the period from January 2014 through December 2020 were designated as the hedged item. The USD and EUR denominated third-party borrowings were designated as the hedging instruments. The nominal amounts of the hedged item and the hedging instruments were set equal.

The cash flow hedge position was USD 459 million as of 1 January 2014. To the extent that a change in the foreign currency rate impacts the fair value of the hedging instrument, the effects are recognized in other comprehensive income or loss and reclassified to profit or loss in the same period in which the hedged item affects profit or loss.

The impact of hedge operation on other comprehensive income is comprised of the following:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Foreign exchange cash flow hedges total charge	44,899	8,355
Total foreign exchange loss recognised in OCI	44,899	8,355
Reclassification of the foreign exchange loss to Cost of sales (Note 24)	54,695	57,214
Total reclassification of the foreign exchange loss to profit and loss	54,695	57,214
Net effect of cash flow hedge accounting	**99,594**	**65,569**

The remaining portion of foreign exchange loss from the re-measurement of the hedging instruments accumulated in other comprehensive income.

Prior to or about the Restructuring Effective Date such USD and EUR nominated third-party borrowings (previously designated as hedging instruments) were transferred from the subsidiaries to the Company level. As a result, the USD and EUR nominated third-party borrowings were replaced with intercompany loans (designated by the Company as net investment in foreign operations – see below) and the hedging instrument was extinguished as of the date.

Net investments in foreign operations

On 1 January 2014, the Company designated certain intragroup financial instruments which settlement was neither planned nor likely to occur in the foreseeable future, as net investments in a number of its Ukrainian subsidiaries in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". Such financial instruments comprised of intercompany loans and, in some cases, other long-term receivables and payables. Accordingly, foreign exchange differences arising on such financial instruments after the designation date had been recognised in other comprehensive income.

As at 31 December 2019 and 2018, the accumulated balance of exchange differences on net investment in foreign operations amounted to USD 645,281 thousand and USD 741,118 thousand, respectively.

The impact of exchange differences on other comprehensive income comprises:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Exchange differences on translation of foreign operations (other than those designated as net investments)	19,755	(15,431)
Net foreign exchange loss from financial instruments designated as part of net investments in foreign operations	95,837	5,379
	115,592	**(10,052)**

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and borrowings.

The Group analyses the ageing of its assets and the maturity of its liabilities and plans its liquidity depending on expected repayment of various instruments. In the case of insufficient or excessive liquidity in individual entities, the Group relocates resources and funds among the Group entities to achieve optimal financing of business needs of each entity.

The table below summarises the maturity profile of the Group's financial liabilities based on their contractual undiscounted payments (estimated for contingent liabilities of the Performance Sharing Fee and the Exit Fee) and maturities (Notes 2 and 19):

As at 31 December 2019	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
New Notes	-	31,692	420,586	-	452,278
New WC Loans	-	23,943	-	-	23,943
Exit Fee	-	-	40,000	-	40,000
Performance Sharing Fee	-	-	-	123,500	123,500
Lease liability	352	264	1,776	-	2,392
Interest accrued but not paid	986	-	-	-	986
Interest payable on lease liability	79	-	-	-	79
Trade and other accounts payable	59,718	-	-	-	59,718
	61,135	**55,899**	**462,362**	**123,500**	**702,896**

Prior to the Restructuring implementation, the lenders were entitled to demand early repayment of any outstanding amounts. Accordingly, the liabilities due or claimable due within 12 months from 31 December 2018 exceeded the Group's current assets as of that date by USD 1,089,315 thousand (Note 2):

As at 31 December 2018	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Borrowings and interest payable	1,376,570	-	-	-	1,376,570
Trade and other accounts payable	67,861	-	-	-	67,861
	1,444,431	**-**	**-**	**-**	**1,444,431**

The amount of the Subordinated loan (Note 18) and interest accrued thereto as at 31 December 2019 and 2018, respectively, was not included into the tables above being payable after full settlement of Restructured borrowings.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates (Note 19). The Group's policy is to manage its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Floating rates are mostly linked to London Inter Bank Offering Rate ("LIBOR").

The following table demonstrates the annualised sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all other variables held constant (through the impact on floating rate borrowings):

For the year ended 31 December 2019	*High / low limits of change in interest rate, basic points*	*Effect on profit before tax*
LIBOR (USD) 3mth	-35	79
LIBOR (USD) 3mth	+35	(79)

For the year ended 31 December 2018	*High / low limits of change in interest rate, basic points*	*Effect on profit before tax*
LIBOR (USD) 3mth	+8	(489)
LIBOR (USD) 3mth	+70	(4,370)

Credit risk

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of bank deposits (Notes 15 and 17) and trade and other accounts receivable (Note 14).

Cash in banks is placed with the financial institutions, which are considered to have minimal risk of default at the time of deposit.

	31 December 2019	*31 December 2018*
As rated by Fitch:		
AA	8,806	26,828
A	167,422	10,008
BBB	1,431	32,988
B	70,764	28,916
Not rated and other	7,725	32,144
	256,148	**130,884**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. Most of the Group's sales are made to customers with an appropriate credit history or on a prepayment basis. The Group does not require collateral in respect of its financial assets. The credit risk exposure of the Group is monitored and analysed on a case-by-case basis. Based on historical collection statistics, the Group's management believes that there is no significant risk of loss to the Group beyond the impairment allowances already recognised against the assets. The maximum exposure to the credit risk is represented by the carrying amounts of the financial assets that are carried in the consolidated statement of financial position.

Capital risk management

The Group considers its debt and shareholders' equity as the primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits to other stakeholders as well as to provide financing of its operating requirements, capital expenditures and the Group's development strategy.

	31 December 2019	*31 December 2018*
Borrowings and interest payable	419,009	1,376,570
Trade and other accounts payable	59,718	67,861
Less: Cash and cash equivalents	(256,148)	(130,884)
Net debt	**222,579**	**1,313,547**
Equity	449,208	(669,499)
Capital and net debt	**671,787**	**644,048**
Gearing ratio	33%	204%

The Group's capital management policies aim to ensure and maintain an optimal capital structure, to reduce the overall cost of capital and to provide flexibility relating to the Group's access to capital markets. Furthermore, the Group makes its investment decisions taking into consideration its capital structure.

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

As discussed in the Notes 2 and 19, the value of the Performance Sharing Fee depends on the Final Repayment Date occurrence moment in time (currently determined as coinciding with the New Notes maturity date of 31 December 2024) and the number of years elapsing from the Restructuring Effective Date till the start of the relevant annual period within the Fee Assessment Period. The Performance Sharing Fee valuation also depends on the level of the Group performance during the Fee Assessment Period (consolidated EBITDA for the three consecutive annual periods – currently is based on an estimated notional amount of USD 190 million per annum) as well as on EIR applied in determination of its carrying amount (amortized cost) as at 31 December 2019 – currently applied 10.25% p.a.

The table below summarises the Performance Sharing Fee change (+ or –) of its carrying amount of USD 59,619 thousand as at 31 December 2019 depending on (i) shift in the Fee Assessment Period (and the timing of the payment thereof, accordingly), (ii) change of the notional amount by USD 10 million (to USD 180 million / USD 200 million) per annum during the Fee Assessment Period and (iii)&(iv) changes in the EIR by 1% (to 11.25% p.a. / 9.25% p.a.) used in the Performance Sharing Fee fair value determination as at 31 December 2019:

If the Final Repayment Date occurs in the year:	*2020*	*2021*	*2022*	*2023*	*2024*
The Final Repayment Date alteration – (i)	+ 1,815	+ 1,701	+ 1,598	+ 1,505	n/a
EBITDA change by USD 10 mio (plus/minus) – (ii)	+/– 3,232	+/– 3,226	+/– 3,221	+/– 3,216	+/– 3,137
Market rate at 11.25% (plus 1.00%) – (iii)	– 1,840	– 2,422	– 2,945	– 3,414	– 3,874
Market rate at 9.25% (minus 1.00%) – (iv)	+ 1,916	+ 2,548	+ 3,125	+ 3,653	+ 4,184

Fair values of financial instruments

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

37. Events after the reporting period

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

On 10 January 2020, the Company redeemed a part of the New Notes with nominal value of USD 98,500 thousand together with interest accrued to the date.

On 18 February 2020, the Company settled in full the New WC Loans repaying the outstanding principal of USD 22,500 thousand together with interest accrued to the date; the pledges thereto, namely the shares and the assets of JSC "Interpipe Novomoskovsk Pipe-Production Plant", under the New WC Loans (Note 19) were released, accordingly.

With the recent and rapid development of the coronavirus outbreak, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. Disruptions are more immediate and pronounced in certain industries such as tourism, hospitality, transportation, retail, and entertainment, while there are also anticipated knock-on effects on other sectors such as manufacturing and the financial sector. For entities that are affected, or expect to be impacted by the outbreak or by the measures taken, the critical judgement and evaluation that management need to make is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the entities' activities or their assets and liabilities.

In addition to the coronavirus-related issues, oil prices have declined sharply in 2020, largely as a result of both realised and anticipated reduction in global oil demand as well as price contraction due to the OPEC-Russia dispute over global oil supply quotas determination.

When making the judgement, the Group management takes into consideration all available information about the nature and the timeline of the virus outbreak as well as oil price contraction. However, as the outbreak continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact. If economic deteriorations in the oil and gas industry experienced in late 2014 were to reoccur, this could prospectively reduce the Group's customers' levels of expenditures, reduce demand for the Group's pipes products and have a material and adverse effect on the Group's business, results of operations and financial condition.

The Group management believes coronavirus as well as current oil price turbulence did not have immediate material impact on its business and the related events, occurred after the reporting date and up to the date of approval of these financial statements, are non-adjusting and shall not be reflected in the assets and liabilities in the Group Consolidated Financial Statements.