OAO TMK

Unaudited Condensed Consolidated Financial Statements

Nine-month period ended September 30, 2005

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Nine-month period ended September 30, 2005

Contents

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Independent Accountants' Review Report

The Shareholders and Board of Directors
OAO TMK

We have reviewed the accompanying condensed consolidated balance sheet of OAO TMK (the "Group") as of September 30, 2005, and the related condensed consolidated statements of income, changes in shareholders' equity and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements referred to above are not properly prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

Ernst & Young LLC

January 23, 2006

OAO TMK

Unaudited Condensed Consolidated Income Statement

(All amounts in thousands of Russian Roubles)

	NOTE	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Net sales	**1**	58,439,172	40,218,624
Cost of sales	**2**	(43,474,115)	(32,295,521)
Gross profit		**14,965,057**	**7,923,103**
Selling expenses	**3**	(2,559,164)	(2,407,226)
Advertising & promotion expenses	**4**	(52,264)	(33,410)
General & administrative expenses	**5**	(2,320,740)	(1,701,864)
Research & development expenses	**6**	(102,308)	(78,158)
Other operating expenses	**7**	(521,389)	(570,211)
Other operating income	**8**	62,819	41,491
Foreign exchange loss		(254,824)	(445,124)
Operating profit		**9,217,187**	**2,728,601**
Finance Cost	**9**	(1,680,639)	(2,069,024)
Financial income		51,522	58,456
Profit before income tax		**7,588,070**	**718,033**
Income tax expense		(1,889,721)	(329,190)
Net profit		**5,698,349**	**388,843**
Attributable to:			
Equity holders of the parent entity		**5,517,148**	**328,632**
Minority interests		**181,201**	**60,211**
Earnings per share attributable to equity holders of the parent entity - basic and diluted (in Russian Roubles)	**11**	**6.32**	**328,632.00**

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

OAO TMK

Unaudited Condensed Consolidated Balance Sheet

(All amounts in thousands of Russian Roubles)

	NOTE	September 30, 2005		December 31, 2004	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	12	108,587		196,449	
Short - term investments	13	49,568		389,620	
Accounts receivable	14	6,015,045		4,073,287	
Accounts receivable from related parties	27	1,393,693		1,578,278	
Inventories	17	10,889,618		10,145,282	
Prepayments and input VAT	15	5,018,678		4,638,659	
Prepayments to related parties	27	985,723	**24,460,912**	753,824	**21,775,399**
NON-CURRENT ASSETS					
Investments and other long-term receivables	16	669,238		525,783	
Long-term receivables from related parties	27	257,172		217,792	
Property, plant and equipment, net	18	38,760,297		39,318,373	
Investment property	18	57,233		-	
Goodwill	19	1,070,119		1,070,119	
Deferred income taxes		144,743		80,511	
Intangible assets	19	323,540	**41,282,342**	294,954	**41,507,532**
TOTAL ASSETS			**65,743,254**		**63,282,931**
LIABILITIES & SHAREHOLDERS EQUITY					
CURRENT LIABILITIES					
Accounts payable and advances from customers	20	4,938,324		5,791,829	
Accounts payable to related parties	27	137,713		402,678	
Accrued liabilities	21	2,950,819		2,448,367	
Finance lease liabilities, current portion	22	49,412		105,091	
Loans and borrowings	23	11,441,723		17,207,682	
Loans and borrowings from related parties	27	901,255		279,817	
Dividends		35,360	**20,454,606**	50,311	**26,285,775**
NON-CURRENT LIABILITIES					
Loans and borrowings	23	6,634,927		3,249,019	
Finance lease liabilities, net of current portion	22	720		28,811	
Deferred income taxes		7,000,774		7,299,962	
Post-employment benefit	24	394,780		307,682	
Other liabilities	25	124,753	**14,155,954**	112,029	**10,997,503**
TOTAL LIABILITIES			**34,610,560**		**37,283,278**
SHAREHOLDERS' EQUITY					
Parent shareholders' equity					
Issued capital	29	8,730,013		8,730,013	
Accumulated profits		15,575,916		10,350,290	
Reserve capital	29	68,462		68,462	
Additional paid-in capital	29	5,108,643	**29,483,034**	5,049,251	**24,198,016**
Minority interest			1,649,660		1,801,637
TOTAL EQUITY			**31,132,694**		**25,999,653**
TOTAL EQUITY AND LIABILITIES			**65,743,254**		**63,282,931**

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

OAO TMK

Unaudited Condensed Consolidated Statement of Changes in Shareholders' Equity
for the nine-month periods ended September 30, 2005 and 2004

(All amounts in thousands of Russian Roubles)

	Issued capital	Additional paid-in capital	Reserve capital	Accumulated profits	Parent shareholders' equity	Minority interests	TOTAL
Balance at December 31, 2003	**13**	**11,688,077**	**-**	**9,907,123**	**21,595,213**	**4,350,423**	**25,945,636**
Net profit	-	-	-	328,632	328,632	60,211	**388,843**
Dividends by subsidiaries of the Group to the minority owners in subsidiaries (Note 29)	-	-	-	-	-	(67,506)	**(67,506)**
Dividends by subsidiary of the Group to the former owner of the subsidiary (Note 29)	-	-	-	(23,543)	(23,543)	-	**(23,543)**
Purchase of minority interests (Note 29)	-	2,914,177	-	-	2,914,177	(2,914,177)	-
Increase in additional paid-in capital from the acquisition of subsidiary (Tagmet) (Note 10)	-	7,544,947	-	-	7,544,947	374,061	**7,919,008**
Distributions to owners (Note 29)	-	(17,097,950)	-	-	(17,097,950)		**(17,097,950)**
Balance at September 30, 2004	**13**	**5,049,251**	**-**	**10,212,212**	**15,261,476**	**1,803,012**	**17,064,488**
Balance at December 31, 2004	**8,730,013**	**5,049,251**	**68,462**	**10,350,290**	**24,198,016**	**1,801,637**	**25,999,653**
Net profit	-	-	-	5,517,148	5,517,148	181,201	**5,698,349**
Dividends by subsidiaries of the Group to the minority owners in subsidiaries (Note 29)	-	-	-	-	-	(33,712)	**(33,712)**
Purchase of minority interests (Note 29)	-	59,392	-	-	59,392	(299,466)	**(240,074)**
Dividends by subsidiary of the Group to the former owner of the subsidiary (Note 29)	-	-	-	(214,762)	(214,762)	-	**(214,762)**
Dividends	-	-	-	(73,332)	(73,332)	-	**(73,332)**
Distributions to owners (Note 29)	-	-	-	(3,428)	(3,428)	-	**(3,428)**
Balance at September 30, 2005	**8,730,013**	**5,108,643**	**68,462**	**15,575,916**	**29,483,034**	**1,649,660**	**31,132,694**

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

OAO TMK
Unaudited Condensed Consolidated Cash Flow Statement
(All amounts in thousands of Russian Roubles)

Cash flows from operating activities	NOTE	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Profit before income tax		**7,588,070**	**718,033**
Adjustments for:			
Depreciation		2,012,456	1,930,894
Amortization		5,226	435
Loss on disposal of property, plant and equipment	7	104,109	22,697
Investments impairment		807	-
Foreign exchange loss		254,824	445,124
Interest expense	9	1,623,010	2,011,787
Interest income		(51,522)	(58,456)
Donations		43,957	-
Inventory adjustments	2	(36,143)	(52,891)
Bad debt expense	3	27,398	112,669
		11,572,192	**5,130,292**
Increase in inventories		(684,630)	(2,158,411)
Increase in accounts receivable		(1,617,974)	(1,678,259)
Increase in prepayments		(573,663)	(832,314)
(Decrease) increase in accounts payable		(1,141,351)	391,164
Increase in accrued liabilities		551,018	894,897
Cash generated from operations		**8,105,592**	**1,747,369**
Income taxes paid		**(2,234,925)**	**(508,314)**
Net cash from operating activities		**5,870,667**	**1,239,055**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,000,076)	(1,181,695)
Proceeds from sale of property, plant and equipment		72,035	17,837
Proceeds from sale of long-term investments		42,801	-
Proceeds from repayment of loans		15,652	196,875
Payments for increases in ownership interests in subsidiaries		(191,075)	-
Cash in subsidiary acquired via non-cash transaction	10	-	2,587
Loans granted		-	(229,312)
Interest received		52,871	15,229
Net cash used in investing activities		**(2,007,792)**	**(1,178,479)**
Cash flows from financing activities			
Proceeds from borrowings		34,898,290	44,493,651
Repayment of borrowings		(36,803,559)	(25,178,208)
Payment under finance lease liabilities		(82,274)	(156,856)
Distributions to owners	29	(3,428)	(17,097,950)
Interest paid		(1,623,010)	(1,930,974)
Dividends paid		(73,332)	-
Dividends paid by subsidiaries of the Group		(263,424)	(7,310)
Net cash (used in) / from financing activities		**(3,950,737)**	**122,353**
Net (decrease) / increase in cash and cash equivalents		**(87,862)**	**182,929**
Cash and cash equivalents at the beginning of the period		**196,449**	**214,734**
Cash and cash equivalents at the end of the period		**108,587**	**397,663**

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

Corporate Information

The condensed consolidated financial statements of OAO "TMK" and its subsidiaries (the "Group") for the period ended September 30, 2005 were authorized for issue in accordance with a resolution of the General Director on January 23, 2006. The parent company of the Group OAO "TMK" (the "Company") is registered in the Russian Federation. The list of subsidiaries is disclosed in Note 26.

As of September 30, 2005, the Company's shareholders were TMK Steel Limited and Dalecone Limited, owing 67% and 33%, respectively, in the share capital. TMK Steel Limited is ultimately controlled by D. A. Pumpyanskiy.

The Company was incorporated as a closed joint stock company (ZAO) on April 17, 2001. The Company was re-registered as an open joint stock company (OAO) on June 16, 2005. The registered office of the Company is Aleksandra Nevskogo street 19/25 bldg.1, Moscow, the Russian Federation.

The Group was formed in February 2004, through transactions with entities under common control with the Company, when the controlling ownership interest in ZAO Trade House TMK ("TD TMK"), a trading entity, and in three pipe plants: Sinarsky Pipe Plant ("SinTZ"), Seversky Pipe Plant ("STZ") and Volzhsky Pipe Plant ("VTZ") was transferred to the Company by the Group's ultimate controlling shareholder. As the Group has been formed through a reorganization of entities under common control, these condensed consolidated financial statements have been prepared using the pooling of interests method and, as such, the financial statements have been presented as if the transfer of the Company's interests in the above-mentioned subsidiaries had occurred from the date of the earliest period presented.

Further, in 2005 there was an additional transaction with an entity under common control with the Group: in December 2004, the Group signed an agreement on the purchase of 100% ownership interest in Sinara Trading AG, an entity registered in Switzerland. The title transferred to the Group and control over Sinara Trading was obtained by the Group on May 25, 2005. Sinara Trading AG is the Group's distributor of pipe products in the countries outside of Russia. This business combination has been accounted for using the pooling of interests method and, as a result, the consolidated balance sheet as of December 31, 2004 presented as comparative information in the accompanying condensed consolidated financial statements is different from the consolidated balance sheet included in the consolidated financial statements of the Group as of December 31, 2004 and for the year then ended authorized for issue in accordance with the resolution of the General Director of the Company on July 1, 2005 in that it reflects the transfer of ownership interest in Sinara Trading AG in a transaction with an entity under common control with the Group.

The principal activities of the Group are production and distribution of seamless and welded pipes for oil and gas industry and general use.

The Group employed 46,594 employees as of September 30, 2005 (December 31, 2004: 47,256 employees).

Significant Accounting Policies

- **Basis of Presentation of Financial Statements**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, they do not include all of the information required by IFRS for a complete set of financial statements. Operating results for the nine-month period ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

Group companies maintain their accounting records in Russian roubles, Kazakhstani tenge or Swiss francs and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation, Kazakhstan Accounting Standards or accounting standards of Switzerland. These interim condensed consolidated financial statements are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of compliance with IAS 34. The principal adjustments relate to (1) expense and revenue recognition, (2) valuation of unrecoverable assets, (3) depreciation and valuation of property, plant and equipment, (4) accounting for income taxes, (5) use of fair values and (6) business combinations.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements for the year ended December 31, 2004. In the preparation of the condensed consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the complete consolidated financial statements for year ended December 31, 2004, except for the effect of adoption of new International Financial Reporting Standards ("IFRS") and revision of existing IAS, none of which had a significant impact on the condensed consolidated financial statements for the nine-month period ended September 30, 2005.

- **Use of Estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements and accompanying notes at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The most significant estimates with regard to those financial statements relate to the estimated useful lives of long lived assets, fair value of property, plant and equipment at the date of transition to IFRS, fair values of assets and liabilities acquired in business combinations, bad debt allowances, liabilities for unused annual leaves and post-employment benefits, allowances for net realisable value and obsolescence of inventories, and deferred income taxes.

Index to the Selected Notes to the Unaudited Condensed Consolidated Financial Statements

1. Segment Information

The condensed consolidated financial statements of the Group are reported in two segment reporting formats: business and geographical.

There are no sales or other transactions between the business segments.

The Group's primary segment reporting format is the dominant source for disclosure of its operating activities in its financial statements. 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. The Group discloses its sales revenue, gross profit, assets, liabilities and depreciation costs based on the main groups of products segregated into segments: seamless pipes, welded pipes, other operations, unallocated.

A geographical segment is the Group's secondary segment reporting format for disclosure of its operating activities in its financial statements. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those components operating in other economic environments. The Group discloses its sales revenue, based on the location of the Group's customers. Segment assets, long-term investments and depreciation expenses are disclosed based on the location of the Group's assets.

The cost of sales is also adjusted for the amount of losses (profits) from inventory shortages (surpluses), provision for obsolete and slow-moving inventory and unallocated overheads.

Segment assets include tangible assets, intangible assets, and receivables. Segment liabilities include all liabilities except liabilities for taxes and borrowings.

Primary reporting format – business segments

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005	**Welded pipes**	**Seamless pipes**	**Other operations**	**Unallocated**	**TOTAL**
NET SALES	18,740,460	34,974,155	4,724,557	-	**58,439,172**
GROSS PROFIT	2,669,083	11,717,729	578,245	-	**14,965,057**
SEGMENT ASSETS	10,452,471	33,307,173	1,067,605	20,916,005	**65,743,254**
SEGMENT LIABILITIES	2,128,619	2,392,789	298,153	29,790,999	**34,610,560**
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT	91,171	1,341,535	84,750	305,084	**1,822,540**
DEPRECIATION AND AMORTIZATION	206,099	1,452,267	74,751	284,566	**2,017,683**

1. Segment Information (continued)

Primary reporting format – business segments (continued)

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2004	Welded pipes	Seamless pipes	Other operations	Unallocated	TOTAL
NET SALES	10,712,421	26,250,200	3,256,003	-	**40,218,624**
GROSS PROFIT	1,342,437	6,261,380	319,286	-	**7,923,103**
SEGMENT ASSETS	8,865,013	32,515,301	1,492,652	19,736,979	**62,609,945**
SEGMENT LIABILITIES	865,332	1,398,046	149,989	43,132,090	**45,545,457**
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT	179,804	744,658	35,449	140,687	**1,100,598**
PROPERTY, PLANT AND EQUIPMENT AQUIRED IN BUSINESS COMBINATION	1,285,282	4,082,661	151,210	2,041,331	**7,560,484**
DEPRECIATION AND AMORTIZATION	201,982	1,365,563	108,824	254,960	**1,931,329**

Secondary reporting format – geographical segments

Distribution of the Group's revenue by geographical area based on the location of customers was as follows:

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005	Russia	Europe	Central Asia & Caspian Region	Middle East & Golf Region	Africa	Americas	Asia & Far East	TOTAL
NET SALES	41,878,902	8,635,703	1,552,211	2,855,729	56,979	2,410,136	1,049,512	58,439,172

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2004	Russia	Europe	Central Asia & Caspian Region	Middle East & Golf Region	Africa	Americas	Asia & Far East	TOTAL
NET SALES	30,229,759	5,849,402	1,271,664	1,149,315	62,381	1,559,565	96,538	40,218,624

In the nine-month periods ended September 30, 2005 and 2004, substantially all of the Group's assets were located in Russia.

2. Cost of Sales

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
DIRECT COST		
Raw materials	30,129,692	22,118,953
Add-on materials of production	1,456,622	1,192,887
Labor cost	1,478,562	1,131,549
Service of production	85,317	40,801
Energy	1,534,619	1,222,636
TOTAL DIRECT COST	**34,684,812**	**25,706,826**
PRODUCTION OVERHEADS		
Salaries and wages	2,840,409	2,317,163
Other compensation	86,661	59,401
Travel	25,203	10,658
Freight	54,352	25,189
Communications	6,948	6,844
Professional services	180,763	110,116
Rent/occupancy	1,585	4,843
Utilities	850,229	710,988
Depreciation	1,910,523	1,782,777
Insurance	3,233	11,884
Taxes	276,899	243,134
Repairs and maintenance	268,915	193,193
Supplies	855,644	645,683
Special instrument	170,246	129,206
Other	23,594	24,667
Less: capitalized costs	(68,696)	(38,714)
TOTAL PRODUCTION OVERHEAD CHARGES	**7,486,508**	**6,237,032**
CHANGES OF INVENTORY	**351,661**	**(1,544,599)**
COST OF MERCHANDISE		
Cost of goods	987,277	1,949,153
TOTAL COST OF MERCHANDISE	**987,277**	**1,949,153**
INVENTORY ADJUSTMENT		
Book to physical	(33,720)	(17,036)
Obsolete and slow –moving	(2,423)	(35,855)
TOTAL INVENTORY ADJUSTMENT	**(36,143)**	**(52,891)**
TOTAL COST OF SALES	**43,474,115**	**32,295,521**

3. Selling Expenses

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Salaries and wages	447,152	344,581
Other compensation	13,245	74
Travel	38,171	26,110
Freight	1,470,232	1,053,862
Communications	17,066	10,895
Professional services	193,063	583,341
Rent/occupancy	66,302	41,154
Utilities	6,278	7,524
Depreciation	17,152	15,654
Insurance	12,578	7,655
Taxes	1,855	45
Repairs and maintenance	4,332	14,760
Supplies	228,645	175,112
Bad debt expense	27,398	112,669
Other	15,695	13,790
TOTAL SELLING EXPENSES	**2,559,164**	**2,407,226**

4. Advertising and Promotion Expense

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Media	16,233	12,870
Displays, exhibits and catalogs	31,484	15,261
Taxes	-	1,092
Other	4,547	4,187
TOTAL ADVERTISING & PROMOTION EXPENSES	**52,264**	**33,410**

5. General and Administrative Expenses

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Salaries and wages	1,293,707	996,053
Other compensation	85,636	43,650
Travel	72,999	62,231
Freight	12,538	26,244
Communications	13,491	11,672
Professional services	436,462	168,741
Rent/ occupancy	52,600	42,826
Utilities	69,749	63,285
Depreciation	92,110	93,131
Insurance	18,252	26,981
Taxes	48,693	37,445
Repairs and maintenance	21,060	20,446
Supplies	85,504	85,240
Other	17,939	23,919
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	**2,320,740**	**1,701,864**

6. Research and Development Expenses

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Salaries and Wages	64,375	50,184
Other compensation	1,258	352
Travel	1,169	660
Freight	582	428
Communications	395	424
Professional services	4,169	1,625
Utilities	2,513	1,571
Depreciation	20,774	13,696
Taxes	27	-
Repairs and maintenance	1,695	1,382
Supplies	5,216	4,575
Other	135	3,261
TOTAL RESEARCH & DEVELOPMENT EXPENSES	**102,308**	**78,158**

7. Other Operating Expenses

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Loss on disposal of property, plant and equipment	104,109	22,697
Social and social infrastructure maintenance expenses	264,434	324,397
Charitable donations	151,924	48,125
Other	922	174,992
TOTAL OTHER OPERATING EXPENSES	**521,389**	**570,211**

8. Other Operating Income

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Gain on sale of current assets	40,407	41,491
Other	22,412	-
TOTAL OTHER OPERATING INCOME	**62,819**	**41,491**

9. Finance Cost

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Amortisation of ancillary costs incurred in connection with the arrangement of borrowings	57,629	57,238
Interest expense	1,623,010	2,011,786
TOTAL FINANCE COST	**1,680,639**	**2,069,024**

10. Acquisition of Tagmet

On February 26, 2004, the Group acquired 94.59% of the ordinary shares in OAO Taganrog Metallurgical Plant (“Tagmet”). As a result, the financial position and the results of operations of Tagmet were included in the Group’s consolidated financial statements beginning February 26, 2004.

The acquisition of Tagmet from its previous owners was made in exchange for a minority share in equity of TMK Steel Limited, the 100% owner of the Group. The cost of the business combination determined based on the fair value of instruments exchanged in the transaction was 7,544,947. It was recorded as increase in additional paid-in capital in the accompanying consolidated financial statements.

The table below sets forth the fair values of Tagmet’s identifiable assets, liabilities and contingent liabilities at the date of acquisition:

	February 26, 2004
Property, plant and equipment	7,560,484
Other non-current assets	484,901
Inventories	1,319,233
Accounts and notes receivable, net	2,204,755
Cash	2,587
Total assets	**11,571,960**
Non-current liabilities	594,574
Deferred income tax liabilities	1,016,228
Current liabilities	3,043,535
Total liabilities	**4,654,337**
NET ASSETS	**6,917,623**
Fair value of net assets attributable to 94.59% ownership interest	6,543,562
Goodwill arising on acquisition	1,001,385
CONSIDERATION PAID	**7,544,947**

11. Earnings per Share

Earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Weighted average number of ordinary shares outstanding	873,001,000	1,000
Net profit attributable to the equity holders of the parent entity	5,517,148	328,632
Earnings per share attributable to the equity holders of the parent entity		
BASIC AND DILUTED (in Russian Roubles)	**6.32**	**328,632.00**

12. Cash and Cash Equivalents

	September 30, 2005	December 31, 2004
Russian Rouble denominated cash on hand and balances with banks	77,439	53,145
Foreign currency denominated balances with bank (USD, Euro, CHF)	31,148	143,304
TOTAL CASH AND CASH EQUIVALENTS	**108,587**	**196,449**

13. Short-term Investments

	September 30, 2005	December 31, 2004
Promissory notes	48,868	381,620
Miscellaneous	700	8,000
TOTAL SHORT-TERM INVESTMENTS	**49,568**	**389,620**

14. Accounts Receivable

	September 30, 2005	December 31, 2004
Trade receivables	6,010,154	4,035,979
Officers and employees	77,636	35,578
Other accounts receivable	141,330	189,039
GROSS ACCOUNTS RECEIVABLE	**6,229,120**	**4,260,596**
Allowance for doubtful debts	(214,075)	(187,309)
BALANCE AT THE END OF THE PERIOD	**6,015,045**	**4,073,287**

Accounts receivable amounting to 647,142 and 2,303,246 are denominated in foreign currency, mainly US dollars and Euros, at September 30, 2005 and December 31, 2004, respectively.

14. Accounts Receivable (continued)

The following summarizes the changes in the allowance for doubtful current debts:

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Balance at the beginning of the period	187,309	57,129
Utilized during the period	(632)	(370)
Additional change in provision	27,398	112,669
BALANCE AT THE END OF THE PERIOD	**214,075**	**169,428**

15. Prepayments and Input VAT

	September 30, 2005	December 31, 2004
Prepayment for services, inventories	842,980	1,366,318
Prepayments for rent	11,093	7,903
Deferred charges	44,598	41,023
Prepayments for VAT, Input VAT	3,933,904	3,077,152
Prepayments for income tax	135,130	101,680
Prepayment for property tax	-	3,563
Prepayment for other taxes	30,558	30,874
Prepayment for insurance	17,856	5,303
Miscellaneous	2,559	4,843
TOTAL OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS	**5,018,678**	**4,638,659**

Prepayments amounting to 81,646 and 118,928 are denominated in foreign currency, mainly Euros and US dollars, at September 30, 2005 and December 31, 2004, respectively.

Input VAT, representing amounts payable or paid to suppliers, is recoverable from the tax authorities via offset against VAT payable to the tax authorities on the Group's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

16. Investments and Other Long-term Receivables

	September 30, 2005	December 31, 2004
Trade receivables	12,158	12,301
Advances to employees	79,872	55,681
Prepayment for plant, property and equipment	539,791	296,027
Investments	819	85,735
Prepayments for increases in ownership interests in subsidiaries	-	49,000
Other	36,923	27,236
GROSS ACCOUNTS RECEIVABLE	**669,563**	**525,980**
Allowance for doubtful debts	(325)	(197)
BALANCE AT THE END OF THE PERIOD	**669,238**	**525,783**

Non-current accounts receivables amounting to 125,486 and 93,376 are denominated in foreign currency, mainly Euros and US dollars, at September 30, 2005 and December 31, 2004, respectively.

According to the bank confirmation cash balances of 32,271 and 18,112 have been pledged for a fulfillment guarantee at September 30, 2005 and December 31, 2004, respectively. The amount is included in other long-term receivables.

17. Inventories

	September 30, 2005	December 31, 2004
Raw materials	3,670,062	2,906,910
Work in process	2,432,603	1,845,834
Finished goods	1,517,944	1,560,387
Goods in transit	1,080,885	2,006,650
Consigned goods	-	34,476
Supplies	2,284,401	1,889,726
GROSS INVENTORY	**10,985,895**	**10,243,983**
Allowance for obsolescence and slow-moving	(96,277)	(98,701)
NET INVENTORIES	**10,889,618**	**10,145,282**

As of September 30, 2005, inventories carried at net realizable value were 2,048,151 (December 31, 2004: 1,446,222).

17. Inventories (continued)

The following summarizes the changes in the allowance for obsolescence and slow-moving inventories:

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Balance at the beginning of the period	98,701	76,676
Change in allowance	(2,424)	(35,855)
BALANCE AT THE END OF THE PERIOD	**96,277**	**40,821**

Inventories of 1,073,780 (December 31, 2004: 3,644,454) have been pledged as security for borrowings.

18. Property, Plant and Equipment

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	TOTAL
COST						
Balance at December 31, 2004	19,355,028	22,794,922	510,713	334,700	940,844	43,936,207
Additions	44,350	6,575	2,941	2,232	1,731,481	1,787,579
Assets put in operations	272,068	276,861	63,495	72,660	(685,084)	-
Transfer to investment property	(55,987)	(2,887)	-	(8,705)	-	(67,579)
Disposals	(124,323)	(129,970)	(7,021)	(19,628)	(20,261)	(301,203)
Balance at September 30, 2005	**19,491,136**	**22,945,501**	**570,128**	**381,259**	**1,966,980**	**45,355,004**
ACCUMULATED DEPRECIATION						
Balance at December 31, 2004	(888,195)	(3,473,984)	(146,675)	(108,980)	-	(4,617,834)
Depreciation charge	(409,896)	(1,513,185)	(66,214)	(46,104)	-	(2,035,399)
Transfer to investment property	6,236	305	-	1,681	-	8,222
Disposals	2,427	41,475	3,712	2,690	-	50,304
Balance at September 30, 2005	**(1,289,428)**	**(4,945,389)**	**(209,177)**	**(150,713)**	**-**	**(6,594,707)**
NET BOOK VALUE AT SEPTEMBER 30, 2005	**18,201,708**	**18,000,112**	**360,951**	**230,546**	**1,966,980**	**38,760,297**
NET BOOK VALUE AT DECEMBER 31, 2004	**18,466,833**	**19,320,938**	**364,038**	**225,720**	**940,844**	**39,318,373**

Bank borrowings are secured by properties and equipment with the carrying value of 8,625,838 (December 31, 2004: 14,815,309) (Note 23).

18. Property, Plant and Equipment (continued)

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	TOTAL
COST						
Balance at December 31, 2003	16,261,298	17,804,231	323,684	209,887	559,469	35,158,569
Additions	-	2,384	5,581	1,168	1,087,538	1,096,671
Assets put in operations	112,898	645,570	50,127	123,784	(932,379)	-
Disposals	(73,331)	(98,806)	(9,793)	(7,271)	(8,346)	(197,547)
Increase due to business combination	3,077,434	4,072,167	138,529	51,095	221,261	7,560,486
Balance at September 30, 2004	**19,378,299**	**22,425,546**	**508,128**	**378,663**	**927,543**	**43,618,179**
ACCUMULATED DEPRECIATION						
Balance at December 31, 2003	(408,877)	(1,579,991)	(57,326)	(40,779)	-	(2,086,973)
Depreciation charge	(352,540)	(1,415,238)	(68,868)	(68,553)	-	(1,905,199)
Disposals	3,834	23,040	2,523	4,904	-	34,301
Balance at September 30, 2004	**(757,583)**	**(2,972,189)**	**(123,671)**	**(104,428)**	**-**	**(3,957,871)**
NET BOOK VALUE AT SEPTEMBER 30, 2004	**18,620,716**	**19,453,357**	**384,457**	**274,235**	**927,543**	**39,660,308**
NET BOOK VALUE AT DECEMBER 31, 2003	**15,852,421**	**16,224,240**	**266,358**	**169,108**	**559,469**	**33,071,596**

Investment property was as follows as at September 30, 2005:

COST	
Balance at December 31, 2004	-
Transfer from property, plant and equipment	67,579
Additions	135
Disposals	(37)
Balance at September 30, 2005	**67,677**
ACCUMULATED DEPRECIATION	
Balance at December 31, 2004	-
Transfer from property, plant and equipment	(8,222)
Depreciation charge	(2,233)
Disposals	11
Balance at September 30, 2005	**(10,444)**
NET BOOK VALUE AT SEPTEMBER 30, 2005	**57,233**

19. Goodwill and Other Intangible Assets

Intangible assets	Patents and trademarks	Goodwill	Information system projects (Software R\3)	Other	TOTAL
COST					
Balance at December 31, 2003	**6,326**	**68,734**	**-**	**1,900**	**76,960**
Additions	131	-	136,189	19,467	155,787
Disposals	-	-	-	-	-
Increase due to business combination (Note 10)	-	1,001,385	-	-	1,001,385
Balance at September 30, 2004	**6,457**	**1,070,119**	**136,189**	**21,367**	**1,234,132**
ACCUMULATED AMORTISATION					
Balance at December 31, 2003	(795)	-	-	(191)	(986)
Amortization charge	(366)	-	-	(69)	(435)
Disposals	-	-	-	-	-
Balance at September 30, 2004	**(1,161)**	**-**	**-**	**(260)**	**(1,421)**
NET BOOK VALUE AT SEPTEMBER 30, 2004	**5,296**	**1,070,119**	**136,189**	**21,107**	**1,232,711**

Intangible assets	Patents and trademarks	Goodwill	Information system projects (Software R\3)	Other	TOTAL
COST					
Balance at December 31, 2004	**6,457**	**1,070,119**	**223,961**	**66,050**	**1,366,587**
Additions	10	-	32,045	12,401	44,456
Disposals	-	-	-	(10,672)	(10,672)
Balance at September 30, 2005	**6,467**	**1,070,119**	**256,006**	**67,779**	**1,400,371**
ACCUMULATED AMORTISATION					
Balance at December 31, 2004	(1,243)	-	-	(271)	(1,514)
Amortization charge	(245)	-	(3,238)	(1,743)	(5,226)
Disposals	-	-	-	28	28
Balance at September 30, 2005	**(1,488)**	**-**	**(3,238)**	**(1,986)**	**(6,712)**
NET BOOK VALUE AT SEPTEMBER 30, 2005	**4,979**	**1,070,119**	**252,768**	**65,793**	**1,393,659**

20. Accounts Payable and Advances from Customers

	September 30, 2005	December 31, 2004
Trade and other payables	3,553,618	1,675,735
Advances from customers	1,280,124	3,722,164
Accounts payable for property, plant and equipment	83,404	80,818
Issued notes to third parties	-	275,000
Other	21,178	38,112
TOTAL ACCOUNTS PAYABLE	**4,938,324**	**5,791,829**

Trade payables amounting to 267,768 and 3,446,000 are denominated in foreign currency, mainly US dollars, at September 30, 2005 and December 31, 2004, respectively.

21. Accrued Liabilities

	September 30, 2005	December 31, 2004
Payroll liabilities	442,127	459,702
Accrued and withheld taxes on payroll	160,794	146,574
Liabilities for VAT	213,231	281,602
Liabilities for income tax	302,238	250,572
Liabilities for property tax	44,464	27,265
Liabilities for other taxes	47,955	22,527
Deferred VAT	1,589,534	1,021,062
Liabilities for unused annual leaves, current portion	11,721	34,085
Accrual for tax fines	-	133,524
Provision for long-service benefit	108,510	60,643
Miscellaneous	30,245	10,811
TOTAL ACCRUED LIABILITIES	**2,950,819**	**2,448,367**

Included within value added tax payable are 1,589,534 (2004: 1,021,062) of value added tax that is only payable to the tax authorities when the underlying receivable is recovered or written off.

22. Finance Lease Liabilities

In 2001-2002, the Group entered into lease agreements under which they have an option to acquire the leased assets at the end of lease term ranging from 2 to 7 years. The estimated average remaining useful life of leased assets varies from 6 to 30 years.

The leases were accounted for as finance leases in the condensed consolidated financial statements. The carrying value of the leased assets was as follows as at September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
Machinery and equipment	244,882	463,715
Transport and motor vehicles	1,689	1,790
	246,571	**465,505**

The leased assets are included in property, plant and equipment in the accompanying consolidated balance sheets (Note 18).

Future minimum lease payments were as follows at September 30, 2005:

	Principal	Interest	Total
Before September 30, 2006	49,412	2,623	52,035
From September 30, 2006 to January 10, 2009	720	270	990
	50,132	2,893	53,025

In the nine-month period ended September 30, 2005, the average interest rate under the finance lease liabilities was 12%.

The finance lease liabilities were denominated in the following currencies at September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
US dollars	50,132	99,679
Euros	-	34,223
	50,132	**133,902**

23. Borrowings

Short-term and long-term borrowings were as follows as of September 30, 2005 and December 31, 2004:

	September 30, 2005	December 31, 2004
Current borrowings:		
Russian banks	7,743,277	7,715,297
International banks	2,133,241	1,026,131
Raiffeisen Leasing liability	14,161	-
Interest payable	112,805	89,465
Current portion of long-term borrowings	1,438,239	8,376,789
	11,441,723	**17,207,682**
Long-term borrowings:		
Russian banks	2,243,058	1,387,435
International banks	900,000	8,230,893
Bearer coupon debt securities	5,000,000	2,000,000
Raiffeisen Leasing liability	25,440	51,866
Unamortized debt issue costs	(95,332)	(44,386)
Less: Current portion of long-term borrowings	(1,438,239)	(8,376,789)
	6,634,927	**3,249,019**

Loans for 3,937,390 as of September 30, 2005 and 6,186,781 as of December 31, 2004, inclusive of short-term borrowings, were guaranteed by collateral of property, plant and equipment, inventories (Notes 17, 18) and as of September 30, 2005, by shares of a subsidiary of the Group, representing net assets with the carrying amount of 1,055,986.

Long-term debt is repayable as follows:

	September 30, 2005	December 31, 2004
1 to 2 years	3,325,032	2,555,984
2 to 3 years	352,209	553,166
3 to 4 years	3,013,240	184,255
Over 4 years	39,778	-
Unamortized debt issue costs	(95,332)	(44,386)
	6,634,927	**3,249,019**

Breakdown of borrowings by currency:

CURRENCY	INTEREST RATES	September 30, 2005	December 31, 2004
Russian rouble	7% - 13%	11,770,595	11,003,389
Euro	6month Euribor+3.5% 6month Euribor+5% 5.6% - 7%	85,720	-
US dollar	8.5% - 19.8% LIBOR + 4.5%	6,220,335	9,453,312
		18,076,650	**20,456,701**

23. Borrowings (continued)

Some of the loan agreements provide for certain covenants in respect of the Company and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and guarantees issued to other parties. Three loans for the total amount of 75 million US dollars (2,137,417 at exchange rate as of September 30, 2005) are secured by proceeds from export sales VTZ, Tagmet and Sinara-Trading, the Group's subsidiaries.

Bank Loans

In the nine-month period ended September 30, 2005, the Group early repaid its liabilities under long-term loans to an international bank in the amount of 7,590,093. These liabilities were included in current borrowings in the accompanying condensed consolidated balance sheet as of December 31, 2004.

In October 2005, the Group early repaid its liabilities under long-term loans to International Moscow Bank in the amount of 600,000. These liabilities were included in current borrowings in the accompanying condensed consolidated balance sheets as of September 30, 2005 and December 31, 2004.

Bearer Coupon Debt Securities

On October 21, 2003, the Group issued 2,000,000 bonds with nominal value of 1,000 roubles each. The bonds mature on October 21, 2006. Interest rate for the first, second and third semiannual coupons is 14% per annum. Interest rate for the fourth, fifth and sixth semiannual coupons will be established and announced by the Company within 14 days before the third coupon due date. Early redemption of bonds was made available within 14 days of the third coupon period, from 534-th by 547-th days from date of issuance. None of the bondholders used their right to recall their bonds.

On March 29, 2005, the Group issued 3,000,000 bonds with nominal value of 1,000 roubles each. The bonds mature on March 24, 2009. Interest rate for the first and second semiannual coupons is 11.09% per annum. Interest rate for the third and fourth semiannual coupons is 10.09% per annum. Interest rate for the fifth, sixth, seventh and eighth semiannual coupons will be established and announced by the Company within 5 days before the fourth coupon due date. Early redemption of bonds is available within 5 days of the fourth coupon period, from 724-th by 728-th days from date of issuance.

Liability to Raiffeisen Leasing

Liability to Raiffeisen Leasing relates to a lease contract between the Group and Raiffeisen Leasing. The contract was a part of a sale-leaseback transaction. Under the contract, the Group sold certain items of equipment to Raiffeisen Leasing and immediately leased them back. The substance of the transaction represented a borrowing by the Group from Raiffeisen Leasing and has been accounted as such in the consolidated financial statements.

Unutilised Borrowing Facilities

As of September 30, 2005, the Group had unutilised borrowing facilities in the amount of 2,889,756.

Contingent liabilities

The Group has commitments on open unsecured letter of credit in the amount of 765,155.

24. Post-Employment Benefits

The Group companies provide additional pensions and other post-employment benefits to their employees in accordance with collective bargaining agreements. Defined benefits consist of lump-sum amounts payable at the retirement date and certain regular post-retirement payments. These benefits generally depend on years of service, level of compensation and amount of pension payment under the collective bargaining agreement. The Group pays the benefits when they fall due for payment.

The components of net benefit expense recognised in the condensed consolidated income statements for the nine-month periods ended September 30, 2005 and September 30, 2004 were as follows:

	2005	2004
Movement in the benefit liability:		
At January 1	(307,682)	(279,094)
Benefit expense	(97,222)	(17,330)
Benefit paid	10,124	8,081
Change in liability due to business combination	-	(16,083)
At September 30	**(394,780)**	**(304,426)**
Net benefit expense (recognized in cost of sales):		
Current service cost	21,843	14,315
Interest cost on benefit obligation	26,153	18,818
Net actuarial loss (gain) recognized in the period	49,226	(15,803)
Net benefit expense	97,222	17,330
The principal actuarial assumptions used in determining pension Obligations for the Group's plan are shown below:		
Discount rate	8.5%	8.5%
Rate of compensation increase	6.5%	6.5%

The Group had no plan assets, past service costs and unrecognized actuarial gains or losses in the nine-month periods ended September 30, 2005 and September 30, 2004.

25. Other Non-current Liabilities

	September 30, 2005	December 31, 2004
Unused annual leave	122,583	109,521
Other long-term liabilities	2,170	2,508
BALANCE AT THE END OF THE PERIOD	**124,753**	**112,029**

26. Principal Subsidiaries

COMPANY	LOCATION	MAIN ACTIVITY	ACTUAL OWNERSHIP INTEREST	EFFECTIVE OWNERSHIP INTEREST	ACTUAL OWNERSHIP INTEREST	EFFECTIVE OWNERSHIP INTEREST
			SEPTEMBER 30, 2005		DECEMBER 31, 2004	
OAO "Sinarsky Pipe Plant"	Russia	Manufacturing of seamless steel pipes, welded steel pipes, sale of electric and heating power and other services	91.12%	91.12%	88.69%	88.69%
OAO "Seversky Pipe Plant"	Russia	Manufacturing of seamless steel pipes, welded steel pipes , sale of electric and heating power and other services	91.60%	91.60%	91.12%	91.12%
OAO "Volzhsky Pipe Plant"	Russia	Manufacturing of steel pipes, welded steel pipes and other products	100.00%	100.00%	100.00%	100.00%
OAO "Taganrog metallurgical plant"	Russia	Manufacturing of seamless steel pipes, welded steel pipes sale of steel ingots and other products	95.32%	95.32%	94.59%	94.59%
ZAO "Trade House TMK"	Russia	Sale of steel pipes	100.00%	99.91%	100.00%	99.89%
TOO "TMK-Kazakhstan"	Kazakhstan	Sale of steel pipes	100.00%	100.00%	100.00%	100.00%
OOO "TMK-Trans"	Russia	Transportation services	100.00%	100.00%	100.00%	100.00%
OOO "Blagoustroystvo"	Russia	Services	100.00%	100.00%	100.00%	100.00%
OOO "Sinarsky trubnik"	Russia	Services	100.00%	100.00%	100.00%	100.00%
OOO "Skladskoy Kompleks TMK"	Russia	Sale of steel pipes	100.00%	100.00%	100.00%	100.00%
Sinara Trading AG	Switzerland	Sale of steel pipes	100.00%	100.00%	100.00%	100.00%

27. Balances and Transactions with Related Parties

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

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

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions or had significant balances outstanding at September 30, 2005 and December 31, 2004 are detailed below.

27. Balances and Transactions with Related Parties (continued)

In the period ended September 30, 2005, transactions with related parties constituted approximately 8% of the total volume of the Group's sales of goods and 15% in the period ended September 30, 2004. In the nine-month periods ended September 30, 2005 and September 30, 2004 purchases of raw materials and supplies from related parties were minimal. During these periods substantially all merchandised goods were purchased from related parties. In the nine-month periods ended September 30, 2005 and September 30, 2004 the Group purchased equipment from an entity under common control.

Balances and transactions with related parties consist of the following:

Balance sheet caption	September 30, 2005	December 31, 2004
Cash	**11,686**	**7,094**
- Entities under control of the minority shareholders of the Company	4,242	790
- Entities under common control with the Group	7,444	6,304
Accounts receivable – current	**1,393,693**	**1,578,278**
- Entities under control of the minority shareholders of the Company	4,083	2,796
- Entities under common control with the Group	1,389,610	1,575,482
Accounts receivable – non-current	**257,172**	**217,792**
- Entities under common control with the Group	257,172	217,792
Prepayments – current	**985,723**	**753,824**
- Entities under common control with the Group	985,723	753,824
Accounts payable – current	**137,713**	**402,678**
- Entities under common control with the Group	137,713	402,678
Borrowings from related companies – current	**901,255**	**279,817**
- Entities under control of the minority shareholders of the Company	901,255	168,423
- Entities under common control with the Group	-	111,394

Accounts receivable from related parties amounting to 1,288,575 and 1,236,753 are denominated in foreign currency, mainly Euros and US dollars, at September 30, 2005 and December 31, 2004, respectively.

Prepayments to related parties amounting to 995,366 and 752,324 are denominated in foreign currency, mainly US dollars, at September 30, 2005 and December 31, 2004, respectively.

Accounts payable to related parties amounting to 102,527 and 397,638 are denominated in foreign currency, mainly Euros, at September 30, 2005 and December 31, 2004, respectively.

27. Balances and Transactions with Related Parties (continued)

Transactions with related parties for the nine-month periods ended September 30, 2005 and September 30, 2004 consist of the following:

	Nine-month period ended September 30, 2005	Nine-month period ended September 30, 2004
Sales revenue		
- Entities under control of the minority shareholders of the Company	-	644,163
- Entities under common control with the Group	2,926,751	4,162,661
	2,926,751	**4,806,824**
Purchases of goods and services		
- Entities under control of the minority shareholders of the Company	36,119	1,156,124
- Entities under common control with the Group	1,216,269	1,351,591
	1,252,388	**2,507,715**
Purchases of equipment and intangible assets		
- Entities under control of the minority shareholders of the Company	-	-
- Entities under common control with the Group	694,796	699,422
	694,796	**699,422**
Interest expense from loans and borrowings		
- Entities under control of the minority shareholders of the Company	24,920	91,543
- Entities under common control with the Group	832	33,963
	25,752	**125,506**
Interest (income) from loans and borrowings		
- Entities under control of the minority shareholders of the Company	-	(6,744)
- Entities under common control with the Group	(36,849)	(217)
	(36,849)	**(6,961)**

Prior to February 26, 2004, the date of acquisition of Tagmet (Note 10), the Group re-sold raw materials to Tagmet that were purchased from the Group's suppliers, and purchased pipe products from Tagmet for subsequent re-sale to the Group's customers. The Group's sales of pipe products purchased from Tagmet were included in sales (welded and seamless pipes in business segments disclosure) in the accompanying condensed consolidated financial statements. The Group's purchases of pipe products from Tagmet were included in purchases from related parties in the table above. The Group's sales of raw materials to Tagmet prior to February 26, 2004 were included in sales (other products in business segments disclosure) in the accompanying condensed consolidated financial statements and in sales to related parties in the table above.

In June 2005, the Group signed an agreement with an entity under common control with the Group on the purchase of 100% ownership interest in Sinara Handel GmbH, an entity registered in Germany, for the consideration of 40,000 thousand US dollars. Under the agreement, the title to the 100% ownership interest in Sinara Handel GmbH will transfer to the Group in January 2006. Sinara Handel GmbH owns controlling interests in two pipe plants in Romania. Sinara Handel GmbH is the Group's supplier of certain types of raw materials and equipment.

27. Balances and Transactions with Related Parties (continued)

Non-current accounts receivable from related parties include a long-term portion of receivables for securities sold in the amount of 228,252 due in 2006. The nominal value of the receivable as of September 30, 2005 was 256,252, including a current portion of 28,000. The long-term portion was discounted at a rate of 15%.

In the nine-month period ended September 30, 2004, an entity under common control with the Group acted as an intermediary in selling steel products of the Group. The commission in the amount of 394,302 is included in selling expenses as professional services in the accompanying condensed consolidated financial statements (Note 3).

In the nine-month period ended September 30, 2004, a payment in the amount of 27,811 was made by one of the Group's subsidiaries for marketing services provided to an entity under common control with the Group. This payment is included in selling expenses as professional services in the accompanying condensed consolidated financial statements (Note 3).

Compensations to Key Management Personnel

Key management personnel comprise members of Board of Directors and certain executives of the Group, totalling 30 and 18 persons as at September 30, 2005 and September 30, 2004, respectively.

The total amount of compensation to key management personnel, which is included in the income statement as part of the general and administrative expenses, was 167,123 and 91,217 in the nine-month periods ended September 30, 2005 and September 30, 2004, respectively.

Compensation to key management personnel consists of contractual salary, performance bonus depending on operating results and payments for medical insurance.

28. Contingencies, Commitments and Operating Risks

Operating Environment of the Group

The Russian economy while deemed to be of market status continues to display certain characteristics consistent with that of a market in transition. These characteristics include, but are not limited to, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Russia. The stability of the Russian economy will be significantly impacted by the government's policies and actions with regards to supervisory, legal, and economic reforms.

28. Contingencies, Commitments and Operating Risks (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management’s best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

Contractual Commitments and Guarantees

As of September 30, 2005, the Group had contractual commitments for the purchase of property, plant and equipment from third parties for 66,133 thousand Euros and 6,472 thousand US dollars. The Group paid advances for these contractual commitments for 364,051 (2004: 165,702).

Insurance Policies

The Group maintains obligatory insurance policies required by the Russian Law and insurance policies in respect of certain assets pledged under loan agreements. The Group holds no insurance policies in relation to its major production facilities, or in respect of public liability.

Legal Proceedings

During the year, the Company was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these consolidated financial statements.

28. Contingencies, Commitments and Operating Risks (continued)

Guarantees of Debts of Others

The following guarantees issued by the Group were outstanding as at September 30, 2005:

Guarantee to	Date of guarantee	Beneficiary	Amount of guarantee	Maturity
Russian bank	March 18, 2004	Third party	199,995	March 17, 2006
Russian bank	November 22, 2004	Related party	117,469	November 15, 2005
Russian bank	August 29, 2005	Third party	150	August 25, 2006
International bank		Company employees	21,074	
Russian bank		Company employees	3,220	

29. Equity

Share Capital

In 2004, the Company issued additional 873,000,000 shares after making the respective changes in its charter documents. These shares were fully paid before December 31, 2004. The changes in the charter documents were registered on January 31, 2005. The proceeds from the issuance were recorded as increase in the issued capital in the accompanying consolidated financial statements for the year ended December 31, 2004.

As of September 30, 2005 the authorized number of ordinary shares of the Company was 873,001,000 (December 31, 2004: 873,001,000) with a nominal value per share of 10 roubles.

A reconciliation between the nominal amount of the Company's share capital and its carrying amount is as follows:

	September 30, 2005	December 31, 2004
Nominal amount of the share capital	8,730,010	8,730,010
Effect of hyperinflation	3	3
Carrying amount of the share capital	**8,730,013**	**8,730,013**

As of September 30, 2005 the Company had 873,001,000 issued and fully paid shares.

29. Equity (continued)

Reserve Capital

According to the Russian Law, the Company creates a reserve capital in the amount of 5% of share capital per the Russian statutory accounts by annual appropriations that should be at least 5% of the annual net profit per statutory financial statements. The reserve capital can be used only for covering losses as well as for redemption of the Company's bonds and purchase of own shares if there are no other sources of financing.

Dividends

In May 2005, the Company declared interim dividends is respect of 2005 in the amount of 73,332.

In accordance with Russian legislation, dividends may only be declared to the shareholders of the Group from accumulated undistributed and unreserved earnings as shown in the Company's Russian statutory financial statements. The Company had 1,859,499 and 1,305,564 of undistributed and unreserved earnings as of September 30, 2005 and December 31, 2004, respectively. In addition, the Group's share in the undistributed and unreserved earnings of its subsidiaries was 7,568,024 and 2,592,650 as of September 30, 2005 and December 31, 2004, respectively.

Transfers of Ownership Interests in Subsidiaries and Distributions to Owners

In December 2004, the Group signed an agreement with an entity under common control with the Group on the purchase of 100% ownership interest in Sinara Trading AG, an entity registered in Switzerland, for the consideration of 8,787 thousand Swiss francs (215,130 at exchange rate as of December 31, 2004). Sinara Trading AG is the Group's distributor of pipe products in the countries outside of Russia. The title transferred to the Group and control over Sinara Trading was obtained by the Group on May 25, 2005. The amount of 214,143 was paid by the Group prior to December 31, 2004. The Group additionally paid the amount of 3,428 in 2005. These payments were recorded as a reduction in accumulated profits in the accompanying condensed consolidated financial statements.

Sinara Trading paid dividends in the amount of 23,543 for 2004 in the nine-month period ended September 30, 2004 and 214,762 for 2005 in May 2005 to its former owner, before the transfer of Sinara Trading shares to TMK.

Acquisition of Minority Interests in Subsidiaries

In the nine-month period ended September 30, 2005, the Company purchased 0.73% of OAO "Tagmet" shares, 0.48% of OAO "STZ" shares and 2.43% of OAO "SinTZ" shares. The total amount paid for the shares was 240,074.

Dividends by Subsidiaries of the Group to the Minority Owners in Subsidiaries

Dividends declared by subsidiaries of the Group to the minority owners in subsidiaries were recorded as reduction in minority interests in the accompanying condensed consolidated financial statements.

30. Financial Risks

Credit Risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

The Group maintains its available cash in Russian affiliates of international banks and major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

Foreign Exchange Risk

The Group exports production to European countries and attracts substantial amount of foreign currency denominated long-term borrowings and is thus exposed to foreign exchange risk. Foreign currency denominated assets (Notes 12, 14, 15, 16) and liabilities (Notes 20, 22, 23) give rise to foreign exchange exposure.

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. However, management believes that the Group is secured from foreign exchange risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk through market value fluctuations of interest-bearing long-term borrowings. Interest rates on long-term borrowings are fixed, except for 1,366,342 of variable-rate debt. Interest rates are disclosed in Note 23.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, consisting of cash, short-term and long-term investments, short-term accounts receivable and payable, long-term accounts receivable, short-term and long-term loans payable, approximate their fair value.

The fair value of the bonds issued by the Group with a nominal amount of 2,000,000 is equal to 2,052,400 and 2,034,600 as of September 30, 2005 and December 31, 2004, respectively. The fair value of the bonds issued by the Group in March 2005 with a nominal amount of 3,000,000 is equal to 3,110,100 as of September 30, 2005. The fair value of the bonds was determined based on market quotations.