OAO TMK

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2007

ERNST & YOUNG

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Report on Review of Interim Condensed Consolidated Financial Statements

The Shareholders and Board of Directors
OAO TMK

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of OAO TMK and its subsidiaries (the "Group") as of June 30, 2007, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

September 7, 2007

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Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended 30 June 2007

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Unaudited Interim Consolidated Income Statement

for the six months ended 30 June 2007

(All amounts in thousands of US dollars)

	NOTES	For the six months ended 30 June 2007	2006
Revenue	1	2,030,042	1,584,278
- Goods		*2,013,445*	*1,571,933*
- Services		*16,597*	*12,345*
Cost of sales	2	(1,372,147)	(1,078,512)
Gross profit		657,895	505,766
Selling and distribution expenses	3	(111,759)	(86,041)
Advertising and promotion expenses	4	(2,413)	(2,253)
General and administrative expenses	5	(105,625)	(71,604)
Research and development expenses	6	(4,271)	(3,207)
Other operating expenses	7	(24,375)	(12,120)
Other operating income	8	807	372
Foreign exchange gain, net		19,070	4,594
Finance costs	9	(44,950)	(31,049)
Finance income		8,064	1,160
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	10	1,943	-
Profit before tax		394,386	305,618
Income tax expense	11	(105,270)	(75,731)
Net profit		**289,116**	**229,887**
Attributable to:			
Equity holders of the parent entity		**276,470**	**219,329**
Minority interests		**12,646**	**10,558**
		289,116	**229,887**
Earnings per share attributable to equity holders of the parent entity (in US dollars)	12		
Basic		**0.32**	**0.25**
Diluted		**0.32**	**0.25**

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

OAO TMK

Unaudited Interim Consolidated Balance Sheet at 30 June 2007

(All amounts in thousands of US dollars)

	NOTES	30 June 2007		31 December 2006	
ASSETS					
Current assets					
Cash and cash equivalents	13	70,138		144,010	
Short-term investments		134,630		174,543	
Accounts receivable		460,024		274,424	
Accounts receivable from related parties	17	13,297		11,632	
Inventories		709,115		593,434	
Prepayments and input VAT		210,892		202,655	
Prepayments to related parties	17	175	**1,598,271**	15	**1,400,713**
Non-current assets					
Investments in associates and other long-term receivables		112,280		59,400	
Long-term receivables from related parties	17	762		2,270	
Loans to related parties	17	27,238		-	
Property, plant and equipment	14	2,192,950		2,007,880	
Investment property		20,166		2,871	
Goodwill	15	47,881		46,944	
Deferred income taxes		21,452		14,915	
Intangible assets	15	18,030	**2,440,759**	15,700	**2,149,980**
TOTAL ASSETS			**4,039,030**		**3,550,693**
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and advances from customers		311,474		351,292	
Accounts payable to related parties	17	2,964		5,278	
Accrued liabilities and provisions		113,552		105,384	
Finance lease liabilities, current maturities		318		187	
Post-employment benefit, current portion		1,011		716	
Borrowings	16	655,782		367,988	
Borrowings from related parties	17	-		3,550	
Dividends		146,838	**1,231,939**	1,383	**835,778**
Non-current liabilities					
Borrowings	16	544,541		662,689	
Finance lease liabilities, net of current maturities		557		244	
Deferred income taxes		265,020		259,696	
Post-employment benefit		21,737		20,343	
Other liabilities		18,807	**850,662**	18,734	**961,706**
Total liabilities			**2,082,601**		**1,797,484**
Equity					
Parent shareholders' equity					
Issued capital	19	305,407		305,407	
Additional paid-in capital	19	102,359		98,539	
Reserve capital	19	15,387		15,387	
Accumulated profits	19	1,158,826		1,028,664	
Treasury shares	19	(7,377)		-	
Net unrealised gains	19	1,139		-	
Foreign currency translation reserve	19	273,394	1,849,135	225,110	1,673,107
Minority interests	19		107,294		80,102
Total equity			**1,956,429**		**1,753,209**
TOTAL EQUITY AND LIABILITIES			**4,039,030**		**3,550,693**

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

OAO TMK

Unaudited Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2007

(All amounts in thousands of US dollars)

	Parent shareholders' equity									
	Issued capital	Additional paid-in capital	Reserve capital	Accumulated profits	Treasury shares	Net unrealised gains	Foreign currency translation reserve	Total	Minority interests	TOTAL
At 1 January 2007	**305,407**	**98,539**	**15,387**	**1,028,664**	**-**	**-**	**225,110**	**1,673,107**	**80,102**	**1,753,209**
Effect of exchange rate changes	-	-	-	-	-	-	48,284	**48,284**	2,943	**51,227**
Total income and expense for the year recognised directly in equity	-	-	-	-	-	-	48,284	**48,284**	2,943	**51,227**
Net profit	-	-	-	276,470	-	-	-	**276,470**	12,646	**289,116**
Total income and expense for the year	-	-	-	276,470	-	-	48,284	**324,754**	15,589	**340,343**
Purchase of the Company's shares for the purpose of realization of the Share Options Programme (Note 19 v)	-	-	-		(7,377)	-	-	**(7,377)**	-	**(7,377)**
Capital contributions by minority owners to a subsidiary (Note 19 vi)	-	-	-	-	-	-	-	**-**	12,598	**12,598**
Share-based payments (Note 19 iv)	-	3,369	-	-	-	-	-	**3,369**	-	**3,369**
Dividends by subsidiaries of the Group to the minority owners in subsidiaries (Note 19 x)	-	-	-	-	-	-	-	**-**	(117)	**(117)**
Increase in minority interest from the acquisition of "RosNITI" (Note 10)	-	-	-	-	-	-	-	**-**	1,554	**1,554**
Acquisition of minority interests (Note 19 ix)	-	451	-	(762)			-	**(311)**	(2,432)	**(2,743)**
Dividends (Note 19 iii)	-	-	-	(145,546)	-	-	-	**(145,546)**	-	**(145,546)**
Net unrealised gains on available-for-sale investments (Note 19 vii)	-	-	-	-	-	1,139	-	**1,139**	-	**1,139**
At 30 June 2007	**305,407**	**102,359**	**15,387**	**1,158,826**	**(7,377)**	**1,139**	**273,394**	**1,849,135**	**107,294**	**1,956,429**

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

OAO TMK

Unaudited Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2007 (continued)

(All amounts in thousands of US dollars)

	Parent shareholders' equity							
	Issued capital	Additional paid-in capital	Reserve capital	Accumulated profits	Foreign currency translation reserve	Total	Minority interests	TOTAL
At 1 January 2006	**305,407**	**141,909**	**15,387**	**652,951**	**85,563**	**1,201,217**	**76,833**	**1,278,050**
Effect of exchange rate changes	-	-	-	-	86,785	**86,785**	5,511	**92,296**
Total income and expense for the year recognised directly in equity	-	-	-	-	86,785	**86,785**	5,511	**92,296**
Net profit	-	-	-	219,329	-	**219,329**	10,558	**229,887**
Total income and expence for the year	-	-	-	219,329	86,785	**306,114**	16,069	**322,183**
Acquisition of Eurosinara S.r.l.	-	-		(4,876)	-	**(4,876)**	-	**(4,876)**
Dividends (Note 19 iii)	-	-	-	(17,155)	-	**(17,155)**	-	**(17,155)**
Other distributions to owners (Note 19 viii)	-	-	-	(20,000)	-	**(20,000)**	-	**(20,000)**
Acquisition of minority interests (Note 19 ix)	-		-	(6,905)	-	**(6,905)**	(5,845)	**(12,750)**
Dividends by subsidiaries of the Group to the minority owners in subsidiaries (Note 19 x)	-		-	-	-	**-**	(494)	**(494)**
At 30 June 2006	**305,407**	**141,909**	**15,387**	**823,344**	**172,348**	**1,458,395**	**86,563**	**1,544,958**

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

OAO TMK
Unaudited Interim Consolidated Cash Flow Statement
for the six months ended 30 June 2007

(All amounts in thousands of US dollars)

	NOTE	For the six months ended 30 June 2007	2006
Cash flows from operating activities			
Profit before income tax		394,386	305,618
Adjustments for:			
Depreciation of property, plant and equipment	1	66,985	56,925
Amortisation of intangible assets	1	1,246	1,176
Loss on disposal of property, plant and equipment	7	4,311	376
Foreign exchange gain		(19,070)	(4,594)
Finance costs	9	44,950	31,049
Finance income		(7,862)	(1,160)
Gain on sale of investments		(202)	-
Share-based payments		3,369	-
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	10	(1,943)	-
Profit share of the associate	8	(807)	(306)
Capitalization of previously expensed items		-	(1,696)
Inventory adjustments	2	4,869	608
Bad debt expense	3	(207)	(141)
Operating cash flow before working capital changes		**490,025**	**387,855**
(Increase) decrease in inventories		(105,722)	34,325
Increase in accounts receivable		(172,725)	(80,959)
Increase in prepayments		(3,288)	(3,867)
Decrease in accounts payable		(1,319)	(17,348)
Increase (decrease) in accrued liabilities		16,779	(44,420)
Decrease in advances from customers		(9,040)	(1,869)
Cash generated from operations		214,710	273,717
Income taxes paid		(127,524)	(92,281)
Net cash from operating activities		**87,186**	**181,436**
Cash flows from investing activities			
Purchase of property, plant and equipment		(255,338)	(152,054)
Proceeds from sale of property, plant and equipment		3,106	961
Proceeds from sale of investments		219	-
Acquisition of subsidiaries, net of cash acquired	10	(3,038)	(669)
Payments for increases in ownership interests in subsidiaries		(3,593)	(12,750)
Deposits at banks		(26,564)	-
Loans granted		-	(93)
Proceeds from repayment of deposits		41,533	-
Capital contributions by minority owners to a subsidiary		1,518	-
Payments for available-for-sale investments		(30,160)	-
Interest received		6,758	619
Net cash used in investing activities		**(265,559)**	**(163,986)**
Cash flows from financing activities			
Purchase of the Company's shares for the purpose of realisation of the Share Options Programme	19	(7,377)	-
Proceeds from borrowings		255,954	439,708
Repayment of borrowings		(102,996)	(412,318)
Interest paid		(41,279)	(25,464)
Payment under finance lease liabilities		(137)	(947)
Payments to entities under common control for the transfer of ownership interest in subsidiaries	19	-	(20,000)
Dividends paid to minority shareholders		(22)	(2,227)
Net cash from (used in) financing activities		**104,143**	**(21,248)**
Effect of foreign exchange rate changes on cash and cash equivalents		358	2,606
Net increase in cash and cash equivalents		(74,230)	(3,798)
Cash and cash equivalents at the beginning of the year		144,010	47,922
Cash and cash equivalents at the end of the year		**70,138**	**46,730**

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

Corporate Information

The interim condensed consolidated financial statements of OAO "TMK" and its subsidiaries (the "Group") for the six months ended 30 June 2007 were authorized for issue in accordance with a resolution of the General Director on 7 September 2007.

The parent company of the Group OAO "TMK" (the "Company") is registered in the Russian Federation.

As at 30 June 2007, the Company's main shareholder was TMK Steel Limited and its subsidiaries, owning 76.98% in the share capital. TMK Steel Limited is ultimately controlled by D.A. Pumpyanskiy.

The registered office of the Company is 19/25 Alexander Nevsky Street, bldg. 1, Moscow, the Russian Federation. The principal office of the Company is 5 Podsosensky Lane, bldg. 1, Moscow, the Russian Federation.

On 25 August 2006, the Group signed an agreement on the purchase of 75% ownership interest in Open Joint-Stock Company "Orsky Machine Building Plant" for 45,512 from an entity under common control with the Group. Title transferred to the Group and control over "Orsky Machine Building Plant" was obtained by the Group on 31 January 2007. The Group has applied the pooling of interests method with respect to this acquisition and presented its interim condensed consolidated financial statements as if the transfer of the controlling interest in "Orsky Machine Building Plant" had occurred from the beginning of the earliest period presented.

As a result of the above-mentioned business combination with an entity under common control with the Group, the Group has re-presented its financial position as at 31 December 2006 and its results of operations and cash flows for the six months ended 30 June 2006.

Basis of Preparation and Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2007 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2006.

Basis of Accounting

Group companies maintain their accounting records in their local currency and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the country in which the particular subsidiary is resident. The interim condensed consolidated financial statements are based on the statutory accounting records, with adjustments and reclassifications for the purpose of fair presentation in compliance with IFRS. 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, (6) business combinations and (7) translation to the presentation currency.

The interim condensed consolidated financial statements have been prepared under the historical cost convention except as disclosed in the Group's annual consolidated financial statements as at 31 December 2006.

Significant Accounting Policies

In the preparation of the interim 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 the year ended 2006, except for the effect of adoption of new International Financial Reporting Standards ("IFRS") and revision of existing IAS none of which had a significant effect on the financial position or performance of the Group. The changes in accounting policies result from adoption of the following new or revised standards:

- IFRIC 9 "Reassessment of Embedded Derivatives"

The Group adopted IFRIC interpretation 9 as at 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.

Basis of Preparation and Accounting Policies (continued)

- IFRIC 10 “Interim Financial Reporting and Impairment”

The Group adopted IFRIC interpretation 10 as at 1 January 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Functional and Presentation Currency

The presentation currency for the purpose of these interim condensed consolidated financial statements of the Group is the US dollar because the presentation in US dollars is convenient for the major current and potential users of the Group’s financial statements.

The functional currency of the Company and its subsidiaries located in the Russian Federation, Kazakhstan and Switzerland is the Russian rouble. The functional currencies of other foreign operations of the Group are the euro, the United States dollar, the Romanian lei and the UAE dirham.

The Group has applied IAS 21 (revised), “The Effects of Changes in Foreign Exchange Rates”, to translate the financial position of the Group as at 30 June 2007 and the results for the six months then ended and corresponding figures into its presentation currency, US dollar, as follows:

(a) assets and liabilities for each balance sheet presented (including corresponding figures) are translated at the closing rate at the date of each respective balance sheet;

(b) income and expenses for each income statement (including corresponding figures) are translated at the weighted average exchange rate for each respective period; and

(c) all resulting exchange differences arising from translation of opening net assets at the closing rate and translation of income and expenses at average exchange rates, are recognised as a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All resulting differences are taken to profit and loss.

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

(All amounts are in thousands of US dollars, unless specified otherwise)

1) Segment Information

The interim 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. The Group discloses its sales revenue, gross profit 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. The Group discloses its sales revenue based on the location of the Group's customers.

Primary reporting format – business segments

Six months ended 30 June 2007	Welded pipes	Seamless pipes	Other operations	Unallocated	TOTAL
REVENUE	542,959	1,375,527	111,556	-	**2,030,042**
GROSS PROFIT	98,217	553,065	6,613	-	**657,895**
DEPRECIATION AND AMORTIZATION	7,232	48,001	2,324	10,674	**68,231**

Six months ended 30 June 2006	Welded pipes	Seamless pipes	Other operations	Unallocated	TOTAL
REVENUE	393,658	1,063,492	127,128	-	**1,584,278**
GROSS PROFIT	49,363	444,934	11,469	-	**505,766**
DEPRECIATION AND AMORTIZATION	4,926	42,626	1,558	8,991	**58,101**

(All amounts are in thousands of US dollars, unless specified otherwise)

1) Segment Information (continued)

Secondary reporting format – geographical segments

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

Six months ended 30 June 2007	Russia	Europe	Central Asia & Caspian Region	Middle East & Gulf Region	Africa	Americas	Asia & Far East	TOTAL
REVENUE	1,389,234	250,311	73,885	145,827	14,241	45,609	110,935	**2,030,042**

Six months ended 30 June 2006	Russia	Europe	Central Asia & Caspian Region	Middle East & Gulf Region	Africa	Americas	Asia & Far East	TOTAL
REVENUE	1,058,408	304,328	73,605	95,070	10,512	37,227	5,128	**1,584,278**

(All amounts are in thousands of US dollars, unless specified otherwise)

2) Cost of Sales

	For the six months ended 30 June	
	2007	**2006**
DIRECT COST		
Raw materials	924,316	679,454
Add-on materials of production	51,933	38,053
Labor cost	62,558	46,308
Contracted services	5,684	4,794
Energy	73,066	57,141
TOTAL DIRECT COST	1,117,557	825,750
PRODUCTION OVERHEADS		
Salaries and wages	99,627	82,748
Other compensation	5,376	3,438
Travel	749	573
Freight	2,484	1,506
Communications	322	287
Professional services	6,355	2,277
Rent/occupancy	286	116
Utilities	37,404	30,024
Depreciation	62,529	52,729
Insurance	178	119
Taxes	9,271	6,691
Repairs and maintenance	21,305	8,604
Supplies	50,525	40,866
Specialised tools	9,728	7,898
Other	481	159
Less: capitalized costs	(18,158)	(3,139)
TOTAL PRODUCTION OVERHEAD CHARGES	288,462	234,896
CHANGES IN INVENTORY	(55,292)	10,244
COST OF MERCHANDISE	16,551	7,014
INVENTORY ADJUSTMENT		
Book to physical	765	(63)
Obsolete and slow-moving	4,104	671
TOTAL INVENTORY ADJUSTMENT	4,869	608
TOTAL COST OF SALES	**1,372,147**	**1,078,512**

(All amounts are in thousands of US dollars, unless specified otherwise)

3) Selling and Distribution Expenses

	For the six months ended 30 June	
	2007	**2006**
Salaries and wages	20,087	15,387
Other compensation	561	435
Travel	1,879	1,403
Freight	65,691	50,957
Communications	778	618
Professional services	8,201	6,474
Rent/occupancy	2,851	2,255
Utilities	132	229
Depreciation	769	616
Insurance	392	306
Taxes	1,522	88
Repairs and maintenance	319	148
Supplies	7,962	6,499
Bad debt expense	(207)	(141)
Other	822	767
TOTAL SELLING AND DISTRIBUTION EXPENSES	**111,759**	**86,041**

4) Advertising and Promotion Expenses

	For the six months ended 30 June	
	2007	**2006**
Media	764	415
Exhibits and catalogues	1,332	1,730
Other	317	108
TOTAL ADVERTISING AND PROMOTION EXPENSES	**2,413**	**2,253**

(All amounts are in thousands of US dollars, unless specified otherwise)

5) General and Administrative Expenses

	For the six months ended 30 June	
	2007	**2006**
Salaries and wages	64,429	40,148
Other compensation	3,628	2,694
Travel	4,182	3,186
Freight	1,570	471
Communications	564	533
Professional services	14,765	11,997
Rent/occupancy	1,906	1,414
Utilities	1,891	1,984
Depreciation	4,299	3,669
Insurance	360	161
Taxes	1,790	1,552
Repairs and maintenance	2,180	519
Supplies	3,435	2,748
Other	626	528
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**105,625**	**71,604**

6) Research and Development Expenses

	For the six months ended 30 June	
	2007	**2006**
Salaries and wages	3,232	2,007
Other compensation	79	53
Travel	109	40
Freight	85	49
Communications	25	16
Professional services	62	369
Utilities	99	74
Depreciation	233	392
Repairs and maintenance	33	24
Supplies	245	177
Other	69	6
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**4,271**	**3,207**

(All amounts are in thousands of US dollars, unless specified otherwise)

7) Other Operating Expenses

	For the six months ended 30 June	
	2007	**2006**
Loss on disposal of property, plant and equipment	4,311	376
Loss on sale of current assets	326	-
Social and social infrastructure maintenance expenses	6,411	5,390
Charitable donations	9,395	5,574
Other	3,932	780
TOTAL OTHER OPERATING EXPENSES	**24,375**	**12,120**

8) Other Operating Income

	For the six months ended 30 June	
	2007	**2006**
Gain on sale of current assets	-	66
Profit share of the associate	807	306
TOTAL OTHER OPERATING INCOME	**807**	**372**

9) Finance Costs

	For the six months ended 30 June	
	2007	**2006**
Amortisation of ancillary costs incurred in connection with the arrangement of borrowings	2,733	2,349
Interest expense	42,217	28,700
TOTAL FINANCE COSTS	**44,950**	**31,049**

(All amounts are in thousands of US dollars, unless specified otherwise)

10) Acquisition of "RosNITI"

On 5 March 2007, the Group purchased 76.33% ownership interest of Joint-Stock Company "Russian Research Institute of the Tube and Pipe Industries" ("RosNITI") for 3,067. "RosNITI" is a scientific research institution engaged in the scientific and technological development of the Russian pipe industry.

The table below sets forth the fair values of identifiable assets, liabilities and contingent liabilities of "RosNITI" at the date of acquisition:

	5 March 2007
Property, plant and equipment	6,301
Other non-current assets	2,116
Inventories	10
Accounts and notes receivable, net	137
Cash	29
Total assets	**8,593**
Non-current liabilities	78
Deferred income tax liabilities	1,727
Current liabilities	224
Total liabilities	**2,029**
NET ASSETS	**6,564**
Fair value of net assets attributable to 76.33% ownership interest	5,010
CONSIDERATION PAID	3,067
Excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over the cost of acquisition recognized in the income statement	**1,943**

"RosNITI"'s net profit for the period from 5 March 2007 to 30 June 2007 amounted to 47.

Owing to the nature of the records of "RosNITI" for the period prior to 5 March 2007, it is impracticable to disclose revenue and net profit of the combined entity for the six months ended 30 June 2007 as though the acquisition date had been at the beginning of that year.

In June 2007, the Company purchased additional 17.96% of OAO "RosNITI" shares (Note 19 ix).

(All amounts are in thousands of US dollars, unless specified otherwise)

11) Income Tax

	For the six months ended 30 June	
	2007	2006
Current income tax	111,303	84,798
Deferred income tax benefit related to origination and reversal of temporary differences	(6,033)	(9,067)
TOTAL INCOME TAX EXPENSE	**105,270**	**75,731**

12) Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares in issue during the period.

For the diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential shares which are the share options granted to employees.

	For the six months ended 30 June	
	2007	2006
Net profit attributable to the equity holders of the parent entity	276,470	219,329
Weighted average number of ordinary shares outstanding (excluding treasury shares)	872,505,106	873,001,000
Effect of dilution:		
Share options	73,802	-
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	872,578,908	873,001,000
Earnings per share attributable to the equity holders of the parent entity (in US dollars):		
Basic	0.32	0.25
Diluted	0.32	0.25

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

(All amounts are in thousands of US dollars, unless specified otherwise)

13) Cash and Cash Equivalents

Cash and cash equivalents in hand and balances with banks were denominated in the following currencies:

	30 June 2007	31 December 2006
Russian rouble	50,159	128,098
US dollar	12,072	10,220
Euro	6,694	3,955
Romanian lei	941	1,343
Kazakhstani tenge	257	326
Polish zloty	13	67
Swiss franc	2	-
Other	-	1
TOTAL CASH AND CASH EQUIVALENTS	**70,138**	**144,010**

14) Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	30 June 2007	31 December 2006
Cost:		
Land and buildings	941,373	900,169
Machinery and equipment	1,272,154	1,152,363
Transport and motor vehicles	55,806	46,347
Furniture and fixtures	27,379	22,284
Construction in progress	399,440	321,541
	2,696,152	**2,442,704**
Accumulated depreciation:		
Buildings	(121,393)	(107,358)
Machinery and equipment	(354,516)	(303,398)
Transport and motor vehicles	(15,612)	(14,445)
Furniture and fixtures	(11,681)	(9,623)
	(503,202)	**(434,824)**
	2,192,950	**2,007,880**

In the six months ended 30 June 2007, the Group acquired assets with a cost of 203,404 (2006: 117,118).

(All amounts are in thousands of US dollars, unless specified otherwise)

15) Goodwill and Other Intangible Assets

	30 June 2007	31 December 2006
Cost:		
Patents and trademarks	454	403
Information system projects (software SAP R\3)	15,174	14,303
Goodwill	47,881	46,944
Other	7,501	4,794
	71,010	**66,444**
Accumulated amortization:		
Patents and trademarks	(151)	(130)
Information system projects (software SAP R\3)	(3,182)	(2,224)
Other	(1,766)	(1,446)
	(5,099)	**(3,800)**
	65,911	**62,644**

16) Borrowings

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Interest rates	30 June 2007	31 December 2006
Russian rouble	6.3% - 7.95%	579,452	438,338
US dollar	6.95% - 8.5% Libor (1m)+1.5% / 1.6% Libor (3m)+1.7%	499,159	471,851
Euro	Euribor (1m)+1.3% / 1.6% Euribor (3m)+1.75% / 2.75% Euribor (6m)+2.4%/ 2.8%/ 4.95%/ 5%	121,712	120,488
		1,200,323	**1,030,677**

Bank Loans

In November 2006, the Group entered into a long-term pre-export finance facility with VTB Bank Europe Plc. in the principal amount of 30,000 with a maturity in 2007-2010. On 18 January 2007, the facility was fully drawn.

In March 2007, the Group entered into a loan agreement with Banca Comersiala Romana in the principal amount of 19.7 million euros (26,270 at the exchange rate at the transaction date) with a maturity in January 2008.

In March 2007, the Group repaid early its liabilities under long-term loans to Gazprombank in the amount of 4,286 thousand euros (5,715 at the exchange rate at the transaction date). These liabilities were included in non-current borrowings in the consolidated balance sheet as at 31 December 2006.

16) Borrowings (continued)

Loan Participation Notes

On 29 September 2006, the Group issued 3,000 8.5% loan participation notes with a nominal value of 100,000 US dollars each, due September 2009. The notes were issued by TMK Capital S.A., a Luxemburg special purpose vehicle, for the sole purpose of funding a loan to the Company. The notes have been admitted to trading on the London Stock Exchange. The terms of the notes provide for certain restrictions on the Company's ability to incur liens, to engage in assets sales, to engage in transactions with affiliates and to engage in mergers and similar transactions.

Bearer Coupon Debt Securities

On 29 March 2005, the Group issued 3,000,000 bonds with a nominal value of 1,000 Russian roubles (35.95 US dollars at the exchange rate at the date of issuance) each. The bonds mature on 24 March 2009. The interest rate for the first and second semi-annual coupons is 11.09% per annum. The interest rate for the third and fourth semi-annual coupons is 10.09% per annum. The interest rate for the fifth, sixth, seventh and eighth semi-annual coupons will be established and announced by the Company within 5 days before the fourth coupon due date. Early redemption of bonds was available within 5 days of the fourth coupon period, from the 724th to the 728th days from the date of issuance. In December 2006, the Company bought out early the bonds from bondholders for the total amount of 16,587. On 27 March 2007, the Company paid interest in the amount of 5,246 (136,805 thousand Russian roubles at the exchange rate at the date of payment) for the fourth semi-annual coupon.

On 21 February 2006, the Group issued 5,000,000 bonds with a nominal value of 1,000 Russian roubles (35.53 US dollars at the exchange rate at the date of issuance) each, with ten coupon periods of 182 days each. The maturity date is 15 February 2011. The interest rate for the first, second, third and fourth semi-annual coupons is 7.95% per annum. The interest rate for the fifth, sixth, seventh, eighth, ninth and tenth semi-annual coupons will be established and announced by the Company within 15 days before the fourth coupon due date. Early redemption of bonds is available within 15 days of the fourth coupon period, from the 714th to 728th days from the date of issuance. On 20 February 2007, the Company paid interest in the amount of 7,024 (198,200 thousand Russian roubles at the exchange rate at the date of payment) for the second semi-annual coupon.

Unutilised Borrowing Facilities

As at 30 June 2007, the Group had unutilised borrowing facilities in the amount of 148,129 (31 December 2006: 314,501).

(All amounts are in thousands of US dollars, unless specified otherwise)

17) Related Parties Disclosures

The following table provides outstanding balances with related parties:

	30 June 2007	31 December 2006
Cash		
- Entities under common control with the Group	1,492	50,673
Accounts receivable - current		
- Entities under common control with the Group	13,297	11,632
Prepayments - current		
- Entities under common control with the Group	175	15
Accounts receivable - non-current		
- Entities under common control with the Group	762	2,270
Loans to related parties - non-current		
- Entities under common control with the Group	27,238	-
Accounts payable - current		
- Entities under common control with the Group	2,964	5,278
Borrowings from related parties		
- Entities under common control with the Group	-	3,550

The following table provides the total amount of transactions with related parties:

	For the six months ended 30 June	
	2007	2006
Sales revenue		
- Entities under common control with the Group	13,841	20,917
Purchases of goods and services		
- Entities under common control with the Group	1,334	9,057
- Entities under control of the minority shareholders of the Company	-	32
	1,334	9,089
Interest expenses from loans and borrowings		
- Entities under common control with the Group	60	12
- Entities under control of the minority shareholders of the Company	-	672
	60	684
Interest income from loans and borrowings		
- Entities under common control with the Group	970	449

17) Related Parties Disclosures (continued)

Compensation of Key Management Personnel of the Group

Key management personnel comprise members of the Board of Directors, the Management Board and certain executives of the Group, totalling 34 and 31 persons as at 30 June 2007 and 2006, respectively. Total compensation to key management personnel included as part of the general and administrative expenses in the income statement amounted to 22,365 and 4,527 for the six months ended 30 June 2007 and 2006, respectively.

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

18) Contingencies and Commitments

Operating Environment of the Group

The Group's principal assets are located in the Russian Federation and therefore its significant operating risks are related to the activities of the Group in this country.

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Taxation

The major part of the Group tax expense relates to taxation in the Russian Federation.

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.

18) Contingencies and Commitments (continued)

Contractual Commitments and Guarantees

As at 30 June 2007, the Group had contractual commitments for the acquisition of property, plant and equipment from third parties for the total amount of 936,784 (net of VAT). The Group had paid advances of 59,943 with respect to such commitments.

Under contractual commitments disclosed above, the Group opened unsecured letters of credit in the amount of 200,615 (2006: 47,301).

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 Claim

During the period, 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 interim condensed consolidated financial statements.

Guarantees of Debts of Others

The Group has guaranteed debts of others outstanding at 30 June 2007 in the amount of 8,858 with maturity in 2007.

19) Equity

i) Share Capital

As at 30 June 2007, the authorized number of ordinary shares of the Company was 873,001,000 (2006: 873,001,000) with a nominal value per share of 10 roubles. All these shares are issued and fully paid.

ii) Reserve Capital

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

(All amounts are in thousands of US dollars, unless specified otherwise)

19) Equity (continued)

iii) Dividends

On 27 June 2007, the Company's shareholders declared annual dividends in respect of 2006 in the amount of 3.8 billion Russian roubles (145,546 at the exchange rate at the announcement date) or 4.298 Russian roubles per share (0.167 US dollars per share). The corresponding liability was recognized in the interim condensed consolidated financial statements. The cash dividend was fully paid by 24 August 2007.

In June 2006, the Company declared dividends in respect of 2005 in the amount of 474,843 thousand Russian roubles (17,155 at the exchange rate at the announcement date) or 0.544 Russian roubles per share (0.019 US dollars per share).

iv) Share-based Payments

On 2 March 2007, the Group adopted a share options programme (the "Programme"). Under the Programme, the members of the Board of Directors, senior executives and certain employees (the "Participants") are granted options to acquire shares in the Company. The Programme provides for the grants of options to acquire up to 9,603,011 shares, representing 1.1% of the Company's shares outstanding as at 31 December 2006. All the options were granted to the Participants in March 2007. The options will be exercisable in three phases in June 2007, June 2008 and June 2009, representing 25%, 35% and 40%, respectively, of the total amount of shares subject to the Programme.

The exercise price for options under the first phase was fixed at 217.6 Russian roubles per share (8.43 US dollars per share at the exchange rate as at 30 June 2007). The exercise price for options under the second phase was fixed at 226.68 Russian roubles per share (8.78 US dollars per share at the exchange rate as at 30 June 2007). The exercise price for options under the third phase will be determined based on the average market price of the shares for the period from June 2007 to June 2008.

The fair value of the options granted is estimated at the date of grant using Black Scholes pricing model, taking into account the terms and conditions upon which options were granted. The fair value of options granted during the six months ended 30 June 2007 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	1.62 – 2.07
Expected volatility (%)	14.54
Risk-free interest rate (%)	4.62 - 4.93
Expected life (years)	0.58 – 2.59
Share price on the date of grant (US dollars)	7.78

19) Equity (continued)

v) Purchase of the Company's Shares for the Purpose of Realization of the Share Options Programme

In the six months ended 30 June 2007, the Group purchased 840,703 shares of the Company for the total amount of 7,377 (at the exchange rate at the transaction date), including 465,503 shares purchased from an entity under common control with the Group for 4,012, for the purpose of realisation of the Programme.

vi) Capital Contributions by Minority Owners to a Subsidiary

On 25 January 2007, OAO "Seversky Pipe Plant" and Corinth Pipeworks S.A., the largest pipe manufacturer in Greece, established an enterprise ZAO "TMK-CPW" for the production of longitudinally welded pipes to be used in the oil and gas, machine building and construction industries.

The registered charter capital of the enterprise is 759,100,000 Russian roubles comprised of 759,100 common shares with a nominal value of 1,000 Russian roubles. OAO "Seversky Pipe Plant" holds 51% and Corinth Pipeworks S.A. holds 49% of the enterprise.

As at 30 June 2007, Corinth Pipeworks S.A. made its contribution to the share capital of the enterprise in cash in the amount of 1,518 (at the exchange rate at the transaction date) and in-kind contributions (production equipment) in the amount of 11,080 (at the exchange rate at the transaction date).

vii) Net Unrealised Gains on Available-for-Sale Investments

In May 2007, the Group purchased 5,735,294,117 newly issued ordinary shares of VTB Bank offered at the Initial Public Offering. The shares were purchased for 779,999 thousand Russian roubles (30,163). As at 30 June 2007, the fair value of the shares was equal to 808,103 thousand Russian roubles (31,302). Net unrealized gains on investment are recorded in equity.

viii) Transfers of Ownership Interests in Subsidiaries and Distributions to Owners

In June 2005, the Group signed an agreement with an entity under common control with the Group for the purchase of 100% ownership interest in Sinara Handel GmbH, an entity registered in Germany, for the consideration of 40,000. The title to the 100% ownership interest in Sinara Handel GmbH was transferred to the Group on 1 March 2006. An amount of 20,000 was paid by the Group prior to 31 December 2005 and an amount of 20,000 was paid by the Group on 3 March 2006.

ix) Acquisition of Minority Interests in Subsidiaries

In June 2007, the Company purchased an additional 17.96% of OAO "RosNITI" shares for 19,067 thousand Russian roubles (736 at the exchange rate at the transaction date). The Company's interest in the subsidiary increased to 94.29%. The positive difference of 451 between the carrying values of net assets attributable to interest in the subsidiary acquired and the consideration given for such increase is recognized as additional paid-in capital.

19) Equity (continued)

ix) Acquisition of Minority Interests in Subsidiaries (continued)

In January and June 2007, the Company purchased an additional 0.13% of OAO "Seversky Pipe Plant" shares for 24,787 thousand Russian roubles (939 at the exchange rate at the transaction date). The Company's interest in the subsidiary increased to 93.10%. The negative difference of 403 between the carrying values of net assets attributable to interest in the subsidiary acquired and the consideration given for such increases is charged to accumulated profits.

In June 2007, the Company purchased an additional 0.15% of OAO "Sinarsky Pipe Plant" shares for 27,768 thousand Russian roubles (1,076 at the exchange rate at the transaction date). The Company's interest in the subsidiary increased to 92.58%. The negative difference of 359 between the carrying values of net assets attributable to interest in the subsidiary acquired and the consideration given for such increase is charged to accumulated profits.

In the six-month period ended 30 June 2006, the Company purchased an additional 0.42% of OAO "Taganrog Metallurgical Plant" shares, 0.21% of OAO "Seversky Pipe Plant" shares and 1.17% of OAO "Sinarsky Pipe Plant" shares. The total amount paid for the shares was 12,750.

x) 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 a reduction in minority interests of 117 and 494 in the interim condensed consolidated financial statements for the six months ended 30 June 2007 and 2006, respectively.

20) Events after the Balance Sheet Date

On 12 July 2007, Eurosinara S.r.l. was re-registered as TMK Italia S.r.l.

In July 2007, the Company purchased an additional 3.07% of OAO "RosNITI" shares for 3,271 thousand Russian roubles (128 at the exchange rate at the transaction date). The Company's interest in the subsidiary increased to 97.36%.

In August 2007, the Company purchased an additional 0.1% of OAO "Sinarsky Pipe Plant" shares for 19,310 thousand Russian roubles (747 at the exchange rate at the transaction date). The Company's interest in the subsidiary increased to 92.68%.

On 29 August 2007, the Group signed an agreement on the purchase of 100% ownership interest in OOO "Predpriyatiye "Truboplast" for 615,849 thousand Russian roubles (24,010 at the exchange rate as at 31 August 2007) via entities under common control with the Group who themselves acquired this ownership interest during July 2007. In addition to the information disclosed in respect of this acquisition, IFRS 3, Business Combinations, requires the Group to disclose the amounts to be recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities. It is impracticable to the Group to disclose this information because the acquired subsidiary has not prepared its financial statements in accordance with IFRS at the time these interim condensed consolidated financial statements were authorised for issue.

20) Events after the Balance Sheet Date (continued)

In August 2007, an entity under common control with the Group repaid early its liabilities to the Group under a long-term deposit in the amount of 27,567 including a deposit interest in the amount of 920 (at the exchange rate at the transaction date). These liabilities to the Group are included in non-current loans to related parties in the interim condensed consolidated balance sheet.