

OJSC Chelyabinsk Tube-Rolling Plant

**International Financial Reporting Standards
Consolidated Financial Statements**

30 September 2005

STATEMENT OF MANAGEMENT RESPONSIBILITIES

To the Shareholders of OJSC Chelyabinsk Tube-Rolling Plant:

International convention requires that management prepare financial statements, which present fairly, in all material respects, the state of affairs of OJSC Chelyabinsk Tube-Rolling Plant and its subsidiaries (hereinafter the "Group") at the end of each financial period and of the Group's results and its cash flows for each financial period. Management is responsible for ensuring that the Group keeps accounting records, which disclose, with reasonable accuracy, the financial position and which enable them to ensure that the financial statements comply with International Financial Reporting Standards and that statutory accounting reports comply with Russian laws and regulations. They also have a general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Management considers that, in preparing the financial statements set out on pages 1 to 33, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that appropriate International Financial Reporting Standards have been followed.

The financial statements, which are based on the statutory accounting reports restated in accordance with International Financial Reporting Standards, are hereby approved on behalf of the Management Board.

For and on behalf of the Management Board



Sadykov V.V.
General Director

12 December 2005

REVIEW REPORT OF THE AUDITORS

To the Shareholders of OJSC Chelyabinsk Tube-Rolling Plant:

We have reviewed the accompanying consolidated interim balance sheet of Open Joint Stock Company "Chelyabinsk Tube-Rolling Plant" and its subsidiaries (the "Group") as of 30 September 2005 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the nine months then ended. These consolidated interim financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review. The corresponding figures as of and for the nine months ended 30 September 2004 have not been reviewed.

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 about whether the consolidated interim financial statements are free of material misstatement. A review is limited primarily to inquiries of the Group's personnel and analytical procedures applied to financial data and therefore 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 consolidated interim financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Without qualifying our report, we draw your attention to Note 8 of the accompanying consolidated interim financial statements. A substantial portion of the Group's purchases and sales is derived from activities with related parties. 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.

PricewaterhouseCoopers

Moscow, Russian Federation

12 December 2005



	Note	30 September 2005	31 December 2004
ASSETS			
Current assets:			
Cash and cash equivalents	9	451,334	24 5,117
Available-for-sale investments, promissory notes receivable and originated loans	10	165,746	54 8,596
Accounts receivable and prepayments	11	7,308,868	4,98 6,153
Inventories	12	6,290,649	5,34 8,822
Total current assets		14,216,597	11,12 8,688
Non-current assets:			
Property, plant and equipment	13	12,545,006	12,66 5,984
Advances for capital construction		401,416	34 0,413
Intangible assets	14	290,670	26 2,359
Available-for-sale investments		1,330	3,862
Originated loans	8.11	11,894	1 3,964
Other assets		2,261	727
Total non-current assets		13,252,577	13,28 7,309
Total assets		27,469,174	24,41 5,997
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	15	1,452,532	2,704,110
Borrowings	16	9,704,919	11,396,937
Advances from customers		1,186,670	1,253,404
Promissory notes payable	18	450,000	319,695
Taxes payable	17	1,296,032	260,807
Total current liabilities		14,090,153	15,934,953
Non-current liabilities:			
Borrowings	16	3,590,222	157,826
Taxes payable	17	-	35,357
Promissory notes payable	18	11,903	36,439
Employee benefits		20,293	25,387
Deferred tax liability	23	1,149,860	1,222,423
Total non-current liabilities		4,772,278	1,477,432
Total liabilities		18,862,431	17,412,385
Equity:			
Share capital	19	2,498,261	2,498,261
Legal reserves		23,619	23,619
Treasury shares		(45,080)	-
Retained earnings		3,439,981	2,317,542
Equity attributable to the Group's equity holders		5,916,781	4,839,422
Minority interest	25	2,689,962	2,164,190
Total equity		8,606,743	7,003,612
Total liabilities and shareholders' equity		27,469,174	24,415,997

Sadykov V.V.
 General Director
 Approved by the Management Board 12 December 2005

Knysheva S.S.
 Chief accountant

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



	Note	Nine months ended 30 September 2005	Nine months ended 30 September 2004 (unreviewed)
Sales	20	30,061,035	14,307,18
Cost of sales	21	(23,475,368)	(12,114,63)
Gross profit		6,585,667	2,192,54
Distribution, General and Administrative expenses	22	(3,092,300)	(1,607,94)
Operating profit		3,493,367	584,59
Finance income and costs, net		(1,059,982)	(312,89)
Net foreign exchange (loss) gain		(179,604)	83,33
Profit before taxation		2,253,781	355,04
Income tax expense	23	(605,570)	(137,09)
Profit for the period		1,648,211	217,94
Profit is attributable to:			
Equity holders of the Group		1,122,439	217,944
Minority interest	25	525,772	.
Profit for the period		1,648,211	217,944

Earnings per share for profit from continuing operations attributable to the equity holders of the Company, basic and diluted (expressed in RR per share)

	19	2.4	0.5

Sadykov V.V.
General Director

Knysheva S.S.
Chief accountant

Approved by the Management Board 12 December 2005

Consolidated Statement of Cash Flows for the nine months ended 30 September 2005
 (thousands of Russian Roubles)



	Note	Nine months ended 30 September 2005	Nine months ended 30 September 2004 (unreviewed)
Cash flows from operating activities:			
Income before taxation		2,253,781	355,040
Adjustments for:			
Share in net profit of associate		-	(528)
Depreciation and amortisation	13,14	864,739	311,280
Change in provision for impairment of receivables	22	97,424	51,140
Change in provision for impairment of inventory	21	20,699	(7,103)
Gain on disposal of property, plant and equipment	22	(24,443)	(6,139)
Finance income and costs, net		1,059,982	312,892
Gain on tax restructuring		(35,357)	-
Foreign exchange effects on non-operating balances		183,466	(91,162)
Operating cash flows before working capital changes		4,420,291	925,420
Change in accounts receivables and prepayments		(2,378,541)	(1,195,644)
Change in inventories		(962,526)	(516,418)
Change in accounts payable and accrued expenses		(355,345)	238,850
Change in employee benefits payable		(5,094)	11,065
Cash from (used in) operations		718,785	(536,727)
Income taxes paid		(486,094)	(89,204)
Interest paid		(987,724)	(292,906)
Net cash used in operating activities		(755,033)	(918,837)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(1,093,294)	(1,289,903)
Proceeds from the sale of property, plant and equipment		104,775	6,139
Purchase of intangible assets		(53,214)	(30,192)
Purchase of available-for-sale investments, promissory notes and loans given		(1,493,314)	(507,446)
Proceeds from sale of available-for-sale investments, promissory notes and loans redeemed		1,878,696	215,348
Net cash used in investing activities		(656,351)	(1,606,054)
Cash flows from financing activities:			
Acquisition of treasury shares		(45,080)	-
Proceeds from borrowings		29,928,630	10,427,855
Payment of borrowings and non-current taxes payable		(28,265,949)	(7,908,911)
Net cash from financing activities		1,617,601	2,518,944
Net increase (decrease) in cash and cash equivalents		206,217	(5,947)
Cash and cash equivalents at the beginning of the period		245,117	145,626
Cash and cash equivalents at the end of the period	9	451,334	139,679

adykov V.V.
 General Director

Knysheva S.S.
 Chief accountant

Approved by the Management Board 12 December 2005

Consolidated Statement of Changes in Shareholders' Equity for the nine months ended 30 September 2005

(in thousands of Russian Roubles)



	Attributable to equity holders of the Group					Minority interest	Total equity
	Share capital	Legal reserve	Treasury Shares	Retained earnings	Total		
Balance at 31 December 2003	2,498,261	23,619	-	3,656,804	6,178,684	-	6,178,684
Net income for the period	-	-	-	217,944	217,944	-	-
Balance at 31 December 2004	2,498,261	23,619	-	2,317,542	4,839,422	2,164,190	7,003,612
Purchase of treasury shares	19	-	(45,080)	-	-	-	(45,061)
Net income for the period	-	-	-	1,122,439	1,122,439	525,772	1,648,211
Balance at 30 September 2005	19 2,498,261	23,619	(45,080)	3,439,981	5,916,781	2,689,962	8,606,743

Sadykov V.V.
General Director

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Chief accountant

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