OAO TMK

Unaudited Interim Condensed Consolidated Financial Statements

Six-month period ended June 30, 2009

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Six-month period ended June 30, 2009

Contents

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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 consolidated statement of financial position of OAO TMK and its subsidiaries ("the Group") as at June 30, 2009 and the related interim consolidated statements of income, comprehensive 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 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.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1, Going Concern, in the interim financial statements. The Group incurred a net loss of US$203,808 thousand during the six-month period ended June 30, 2009 and, as of that date, the Group's current liabilities exceeded current assets by US$951,734 thousand. These conditions, along with other matters as set forth in Note 1, Going Concern, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young LLC

October 15, 2009

OAO TMK

Unaudited Interim Consolidated Income Statement
Six-month period ended June 30, 2009
(All amounts in thousands of US dollars)

	NOTES	Six-month period ended June 30, 2009	2008
Revenue:	1	1,478,578	2,368,398
Sales of goods		*1,447,031*	*2,321,284*
Rendering of services		*31,547*	*47,114*
Cost of sales	2	(1,254,717)	(1,750,579)
Gross profit		**223,861**	**617,819**
Selling and distribution expenses	3	(146,406)	(144,132)
Advertising and promotion expenses	4	(2,246)	(4,828)
General and administrative expenses	5	(98,531)	(124,401)
Research and development expenses	6	(4,757)	(6,445)
Other operating expenses	7	(13,782)	(24,457)
Other operating income	8	4,102	4,088
Impairment of goodwill	15	(9,645)	-
Impairment of property, plant and equipment	14	(28,074)	-
Impairment of financial assets		-	(13,043)
Foreign exchange (loss)/gain, net		(11,658)	14,131
Finance costs	9	(211,675)	(85,143)
Finance income	9	31,967	6,580
Share of profit in associate		764	220
(Loss)/Profit before tax		**(266,080)**	**240,389**
Income tax benefit/(expense)	10	62,272	(82,189)
(Loss)/Profit for the period		**(203,808)**	**158,200**
Attributable to:			
Equity holders of the parent entity		(198,780)	150,870
Minority interests		(5,028)	7,330
		(203,808)	**158,200**
(Loss)/Earnings per share attributable to equity holders of the parent entity, basic and diluted (in US dollars)	11	**(0.23)**	**0.17**

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

OAO TMK

Unaudited Interim Consolidated Statement of Comprehensive Income
Six-month period ended June 30, 2009
(All amounts in thousands of US dollars)

	NOTES	Six-month period ended June 30, 2009	2008
(Loss)/Profit for the period		**(203,808)**	**158,200**
Exchange differences on translation to presentation currency		48,053	81,522
Foreign currency (loss)/gain on hedged net investment in foreign operation	20 (v)	(164,946)	15,138
Income tax	10,20 (v)	15,872	-
		(149,074)	15,138
Net unrealised gains/(losses) on available-for-sale investments		312	(10,683)
Income tax		(62)	-
		250	(10,683)
Impairment of available for sale investments		-	13,043
Other comprehensive (loss)/income for the period, net of tax		**(100,771)**	**99,020**
Total comprehensive (loss)/income for the period, net of tax		**(304,579)**	**257,220**
Attributable to:			
Equity holders of the parent entity		(292,993)	245,877
Minority interests		(11,586)	11,343
		(304,579)	**257,220**

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

OAO TMK

Unaudited Interim Consolidated Statement of Financial Position
At June 30, 2009
(All amounts in thousands of US dollars)

	NOTES	June 30, 2009		December 31, 2008	
ASSETS					
Current assets					
Cash and cash equivalents	12	86,223		143,393	
Financial investments		4,171		3,885	
Trade and other receivables		531,364		751,691	
Accounts receivable from related parties	18	1,373		6,009	
Inventories	13	1,024,252		1,175,936	
Prepayments and input VAT		141,152		185,068	
Prepaid income taxes		54,079	**1,842,614**	26,290	**2,292,272**
Non-current assets					
Investments in an associate		1,522		2,726	
Available-for-sale investments		6,452		6,520	
Intangible assets, other than goodwill	15	611,343		665,545	
Accounts receivable - related parties	18	67		68	
Property, plant and equipment	14	3,216,972		3,323,836	
Goodwill	15	552,768		568,424	
Deferred tax asset		177,898		138,707	
Other non-current assets		59,334	**4,626,356**	69,609	**4,775,435**
TOTAL ASSETS			**6,468,970**		**7,067,707**
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	16	621,390		738,533	
Advances from customers		91,453		67,831	
Accounts payable to related parties	18	1,692		1,459	
Accrued liabilities		91,014		665,452	
Provisions		12,985		11,510	
Interest-bearing loans and borrowings	17	1,968,510		2,216,459	
Dividends payable		2,469		361	
Income tax payable		4,835	**2,794,348**	39,823	**3,741,428**
Non-current liabilities					
Interest-bearing loans and borrowings	17	1,681,806		994,225	
Deferred tax liability		346,925		370,561	
Provisions		17,656		18,668	
Employee benefit liability		15,800		17,187	
Other liabilities		15,587	**2,077,774**	15,216	**1,415,857**
Total liabilities			**4,872,122**		**5,157,285**
Equity					
Parent shareholders' equity					
Issued capital		305,407		305,407	
Treasury shares		(37,916)		(37,827)	
Additional paid-in capital		98,260		97,915	
Reserve capital		15,387		15,387	
Retained earnings		1,142,301		1,343,255	
Foreign currency translation reserve		(5,173)		89,274	
Net unrealized gains		234	1,518,500		1,813,411
Minority interests			78,348		97,011
Total equity			**1,596,848**		**1,910,422**
TOTAL EQUITY AND LIABILITIES			**6,468,970**		**7,067,707**

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

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Unaudited Interim Consolidated Statement of Changes in Equity

Six-month period ended June 30, 2009

(All amounts in thousands of US dollars)

	Attributable to equity holders of the parent									
	Issued capital	**Treasury shares**	**Additional paid-in capital**	**Reserve capital**	**Retained earnings**	**Foreign currency translation reserve**	**Net unrealized gains**	**Total**	**Minority interests**	**TOTAL**
At January 1, 2009	305,407	(37,827)	97,915	15,387	1,343,255	89,274	-	**1,813,411**	97,011	**1,910,422**
Loss for the period	-	-	-	-	(198,780)	-	-	**(198,780)**	(5,028)	**(203,808)**
Other comprehensive income/ (loss)	-	-	-	-	-	(94,447)	234	**(94,213)**	(6,558)	**(100,771)**
Total comprehensive income/ (loss)	-	-	-	-	**(198,780)**	**(94,447)**	**234**	**(292,993)**	**(11,586)**	**(304,579)**
Purchase of the Company's shares for the purpose of realization of the Share Options Programme (Note 18, 20 iii)	-	(89)	-	-	-	-	-	**(89)**	-	**(89)**
Dividends by subsidiaries of the Group to the minority owners in subsidiaries (Note 20 ii)	-	-	-	-	-	-	-	-	(2,302)	**(2,302)**
Acquisition of minority interests (Note 20 vi)	-	-	345	-	(2,174)	-	-	**(1,829)**	(4,775)	**(6,604)**
At June 30, 2009	**305,407**	**(37,916)**	**98,260**	**15,387**	**1,142,301**	**(5,173)**	**234**	**1,518,500**	**78,348**	**1,596,848**

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

OAO TMK

Unaudited Interim Consolidated Statement of Changes in Equity

Six-month period ended June 30, 2008

(All amounts in thousands of US dollars)

	Attributable to equity holders of the parent									
	Issued capital	**Treasury shares**	**Additional paid-in capital**	**Reserve capital**	**Retained earnings**	**Foreign currency translation reserve**	**Net unrealised losses**	**Total**	**Minority interests**	**TOTAL**
At January 1, 2008	**305,407**	**(10,752)**	**97,338**	**15,387**	**1,239,993**	**357,510**	**(2,187)**	**2,002,696**	**103,913**	**2,106,609**
Profit for the period	-	-	-	-	150,870	-	-	**150,870**	7,330	**158,200**
Other comprehensive income/ (loss)	-	-	-	-	-	92,820	2,187	**95,007**	4,013	**99,020**
Total comprehensive income	**-**	**-**	**-**	**-**	**150,870**	**92,820**	**2,187**	**245,877**	**11,343**	**257,220**
Purchase of the Company's shares for the purpose of realization of the Share Options Programme	-	(6,219)	-	-	-	-	-	**(6,219)**	-	**(6,219)**
Share-based payments	-	-	2,978	-	-	-	-	**2,978**	-	**2,978**
Purchase of warrants (Note 20 iv)	-	-	(5,590)	-	-	-	-	**(5,590)**	-	**(5,590)**
Dividends by subsidiaries of the Group to the minority owners in subsidiaries (Note 20 ii)	-	-	-	-	-	-	-	-	(4,752)	**(4,752)**
Dividends	-	-	-	-	(38,146)	-	-	**(38,146)**	-	**(38,146)**
At June 30, 2008	**305,407**	**(16,971)**	**94,726**	**15,387**	**1,352,717**	**450,330**	**-**	**2,201,596**	**110,504**	**2,312,100**

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

OAO TMK

Unaudited Interim Consolidated Cash Flow Statement
Six-month period ended June 30, 2009
(All amounts in thousands of US dollars)

	NOTES	Six-month period ended June 30, 2009	Six-month period ended June 30, 2008
Operating activities			
(Loss)/profit before tax		(266,080)	240,389
Adjustment to reconcile loss/profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		96,645	86,321
Amortisation of intangible assets	15	54,064	4,194
Loss on disposal of property, plant and equipment	7	1,683	586
Impairment of goodwill	15	9,645	-
Impairment of fixed assets	14	28,074	-
Impairment of financial assets		-	13,043
Foreign exchange loss/(gain)		11,658	(15,242)
Finance costs	9	211,675	85,143
Finance income	9	(31,967)	(6,580)
Share-based payments		-	2,978
Share of profit in associate		(764)	(220)
NRV allowance		23,152	944
Allowance for doubtful debts		2,622	(401)
Movement in provisions		5,358	5,524
Operating cash flow before working capital changes		**145,765**	**416,678**
Working capital adjustments:			
Decrease/(increase) in inventories		88,778	(127,528)
Decrease in trade and other receivables		189,159	5,374
Decrease/(increase) in prepayments		29,291	(86,638)
(Decrease)/increase in trade and other payables		(90,471)	126,975
(Decrease)/increase in accrued liabilities		(32,696)	13,360
(Decrease)/increase in advances from customers		(2,150)	116,224
Cash generated from operations		**327,676**	**464,445**
Income taxes paid		(41,725)	(60,862)
Net cash flows from operating activities		**285,951**	**403,583**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(163,808)	(459,380)
Proceeds from sale of property, plant and equipment		896	2,885
Acquisition of subsidiaries, net of cash acquired	17	(507,542)	(1,295,827)
Acquisition of minority interest		(7,870)	(2,673)
Issuance of loans		(657)	(2,194)
Proceeds from repayment of loans issued		533	1,714
Interest received		844	1,639
Dividends received from associate		1,746	-
Net cash flows used in investing activities		**(675,858)**	**(1,753,836)**

Continued on the next page

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

(All amounts in thousands of US dollars)

		Six-month period ended June 30, 2009	2008
Financing activities			
Purchase of treasury shares		-	(6,219)
Purchase of warrants	20 iv	-	(5,590)
Proceeds from borrowings		1,880,548	2,322,812
Repayment of borrowings		(1,350,022)	(771,935)
Interest paid		(196,892)	(96,698)
Payment of finance lease liabilities		(1,294)	(342)
Capital contribution by minority owner to a subsidiary		44	-
Dividends paid to equity holders of the parent		-	(116,369)
Dividends paid to minority shareholders		(170)	(139)
Net cash flows from financing activities		**332,214**	**1,325,520**
Net (decrease) in cash and cash equivalents		(57,693)	(24,733)
Net foreign exchange difference		523	19,182
Cash and cash equivalents at January 1		143,393	89,045
Cash and cash equivalents at June 30		**86,223**	**83,494**

Corporate Information

These interim condensed consolidated financial statements of OAO TMK and its subsidiaries (the "Group") for the six-month period ended June 30, 2009 were authorised for issue in accordance with a resolution of the General Director on October 15, 2009.

OAO TMK (the "Company") is an open joint stock company incorporated under the laws of the Russian Federation. Both registered and principal office of the Company is 40/2a Pokrovka Street, Moscow, the Russian Federation.

As at June 30, 2009, the Company's controlling shareholder was TMK Steel Limited. TMK Steel Limited is ultimately controlled by D.A. Pumpyanskiy.

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

Going Concern

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The Group's activities in all of its operating segments have been adversely affected by uncertainty and instability in international financial, currency and commodity markets resulting from the global financial crisis. As a result, the Group reported net loss of 203,808 for the six-month period ended June 30, 2009. At June 30, 2009, the Group's current liabilities were 2,794,348 (including loans and borrowings of 1,968,510 with maturities within 12 months after the reporting date) and exceeded current assets by 951,734.

In the period from July 1, 2009 to the date of authorisation for issue of these interim condensed consolidated financial statements, the Group received 1,348,946 of new borrowings and repaid 1,224,784 of loans and borrowings including 814,784 of current loans and borrowings. The remaining loans with current maturities are expected to be covered by free cash flows and refinancing of current debts.

At the date of authorisation for issue of these interim condensed consolidated financial statements, the Group had unutilised bank loans for the amount of 201,876. As disclosed in Note 21, Events after the Statement of Financial Position Date, the Group's ability to increase the debts is limited to 100,000.

Based on the current economic environment and the management's outlook, when the Group's consolidated financial statements for the year ending December 31, 2009 are published, the Group may not be in compliance with financial covenants under certain of its debt instruments, which, if not resolved, could also constitute a cross default under its other debt instruments. Such an event would permit the Group's lenders to demand immediate payment of the outstanding borrowings under the relevant debt instruments. The management is considering a number of alternatives to proactively address this situation, including a financial covenant reset and/or waiver from its lenders. The Group may incur additional costs related to these alternatives.

Corporate Information (continued)

Going Concern (continued)

The management has concluded that the combination of the circumstances described above represents a material uncertainty related to events and conditions that may cast significant doubt upon the Group's ability to continue as a going concern. Nevertheless, after considering the uncertainties described above, the management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the management continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of Preparation

Basis of Preparation

The interim condensed consolidated financial statements for the six-month period ended June 30, 2009 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Accordingly, 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 for the year ended December 31, 2008. Operating results for the six-month period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

Changes in 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 December 31, 2008, 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 of the Group, which became effective on January 1, 2009, result from adoption of the following new or revised standards:

<u>IAS 1 Presentation of Financial Statements (Revised)</u>

The revision separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the revision introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Basis of Preparation (continued)

IAS 23 Borrowing costs (Revised)

The standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. However, there was no effect on financial statements as the Group had no any qualifying assets with commencement date after January 1, 2009 during the six months period ended June 30, 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments require some puttable financial instruments and some financial instruments that impose on the equity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

IFRS 2 Share-based payment - Vesting Conditions and Cancellations (Amended)

The amendments specify the accounting treatment of all cancellations of grant of equity instruments to the employees. It also imposes that vesting conditions are only service and performance conditions required in return for the equity instruments issued. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures (Amended)

The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. These amendments do not have impact on the financial position or performance of the Group but will result in more detailed disclosures regarding measurement of the fair value of financial instruments in the annual financial statements.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The new disclosures are included in the financial statements, including revised comparative information (Note 1).

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

These amendments require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to this interpretation have immaterial impact on the financial position or performance of the Group.

Basis of Preparation (continued)

IFRIC 13 Customer Loyalty Programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The adoption of this interpretation did not have any impact on the financial position or performance of the Group.

IFRIC 15 Agreements for the Construction of Real Estate

The interpretation standardizes accounting practice for the recognition of revenue among real estate developers for sales of units, such as apartments of houses before construction is complete. The adoption of this interpretation did not have any impact on the financial position or performance of the Group.

Index to the Notes

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

1) Segment Information

For management purposes, the Group is organised into business divisions based on geographical location, and has three reportable segments:

- Russia segment represents plants located in Russian Federation, a finishing facility in Kazakhstan, Oilfield service companies and traders located in Russia, Kazakhstan, the United Arab Emirates, Switzerland that are selling their production (seamless and welded pipes).
- Europe segment represents plants located in Europe and traders located in Europe selling their production (seamless pipes and steel billets).
- Americas segment represents plants located in the United States of America and a trader located in the United States of America (primarily welded pipes).

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted EBITDA. Adjusted EBITDA represents net profit for the period before depreciation and amortization, finance costs and finance income, foreign exchange gains and losses, losses from the impairment of non-current assets and income tax expenses, measured on the same basis as in the consolidated financial statements. Group financing (including finance costs and finance income) is managed on a group basis and is not allocated to operating segments.

The following tables present revenue and profit information regarding the Group's reportable segments for the six months periods ended June 30, 2009 and 2008, respectively.

Six-month period ended June 30, 2009	**Russia**	**Europe**	**Americas**	**TOTAL**
Revenue	1,110,785	81,266	286,527	**1,478,578**
Cost of sales	(893,004)	(62,614)	(299,099)	**(1,254,717)**
GROSS PROFIT	**217,781**	**18,652**	**(12,572)**	**223,861**
Selling, general and administrative expenses	(153,281)	(17,152)	(81,507)	**(251,940)**
Other operating income (expenses), net	(10,397)	945	(228)	**(9,680)**
OPERATING PROFIT/(LOSS)	**54,103**	**2,445**	**(94,307)**	**(37,759)**
Impairment of goodwill	(9,645)	-	-	**(9,645)**
Impairment of property, plant and equipment	(2,602)	(25,472)	-	**(28,074)**
Foreign exchange gain/(loss), net	3,950	(15,608)	-	**(11,658)**
OPERATING PROFIT/(LOSS) AFTER IMPAIRMENT AND FOREIGN EXCHANGE GAIN/(LOSS)	**45,806**	**(38,635)**	**(94,307)**	**(87,136)**
Finance costs				**(211,675)**
Finance income				**31,967**
Share of profit in associate				**764**
PROFIT/(LOSS) BEFORE TAX				**(266,080)**
Add back:				
Depreciation and amortisation	66,304	4,026	80,379	**150,709**
ADJUSTED EBITDA	**120,407**	**6,471**	**(13,928)**	**112,950**

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

1) Segment Information (continued)

Six-month period ended June 30, 2008	Russia	Europe	Americas	TOTAL
Revenue	2,133,147	144,680	90,571	**2,368,398**
Cost of sales	(1,563,951)	(112,091)	(74,537)	**(1,750,579)**
GROSS PROFIT	**569,196**	**32,589**	**16,034**	**617,819**
Selling, general and administrative expenses	(245,971)	(24,956)	(8,879)	**(279,806)**
Other operating income (expenses), net	(19,750)	(706)	87	**(20,369)**
OPERATING PROFIT/(LOSS)	**303,475**	**6,927**	**7,242**	**317,644**
Impairment of financial assets	(13,043)	-	-	**(13,043)**
Foreign exchange gain/(loss), net	10,969	3,162	-	**14,131**
OPERATING PROFIT/(LOSS) AFTER IMPAIRMENT AND FOREIGN EXCHANGE GAIN/(LOSS)	**301,401**	**10,089**	**7,242**	**318,732**
Finance costs				**(85,143)**
Finance income				**6,580**
Share of profit in associate				**220**
PROFIT/(LOSS) BEFORE TAX				**240,389**
Add back:				
Depreciation and amortisation	77,516	7,185	5,814	**90,515**
ADJUSTED EBITDA	**380,991**	**14,112**	**13,056**	**408,159**

The following table presents segment assets of the Group's reportable segments as at June 30, 2009 and December 31, 2008:

	Russia	Europe	Americas	TOTAL
SEGMENT ASSETS				
AT JUNE 30, 2009	4,039,025	343,967	2,085,978	**6,468,970**
AT DECEMBER 31, 2008	4,296,542	411,101	2,360,064	**7,067,707**

The following table presents the revenues from external customers for each group of similar products and services for the six months periods ended June 30, 2009 and 2008, respectively.

	Welded pipes	Seamless pipes	Other operations	TOTAL
SALES TO EXTERNAL CUSTOMERS				
Six-month period ended June 30, 2009	396,706	990,835	91,037	**1,478,578**
Six-month period ended June 30, 2008	583,579	1,620,476	164,343	**2,368,398**

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

2) Cost of Sales

	Six-month period ended June 30, 2009	2008
Raw materials and consumables	720,757	1,186,102
Contracted manufacture	10,716	22,804
Energy and utilities	102,521	137,827
Depreciation and amortisation	92,726	81,540
Repairs and maintenance	39,538	43,824
Freight	12,602	9,453
Rent	3,761	1,180
Insurance	362	396
Staff costs including social security	182,635	231,635
Professional fees and services	7,257	6,251
Travel	553	880
Communications	639	618
Taxes	14,772	12,463
Other	3,074	3,345
Less capitalised costs	(3,315)	(7,875)
TOTAL PRODUCTION COST	**1,188,598**	**1,730,443**
Change in own finished goods and work in progress	19,918	(23,336)
Cost of goods purchased for resale	15,405	43,258
Obsolete stock and write-offs	30,796	214
COST OF SALES	**1,254,717**	**1,750,579**

3) Selling and Distribution Expenses

	Six-month period ended June 30, 2009	2008
Freight	48,534	76,429
Rent	3,078	3,722
Insurance	688	616
Depreciation and amortisation	50,034	2,794
Staff costs including social security	22,225	32,444
Professional fees and services	8,397	10,180
Travel	1,231	2,846
Communications	597	1,257
Utilities and maintenance	1,135	1,458
Taxes	1,766	1,603
Consumables	5,236	10,354
Bad debt (reversal of expense)/ expense	2,622	(401)
Other ,	863	830
TOTAL SELLING AND DISTRIBUTION EXPENSES	**146,406**	**144,132**

4) Advertising and Promotion Expenses

	Six-month period ended June 30, 2009	2008
Media	295	722
Exhibits and catalogues	741	1,881
Outdoor advertising	1,094	2,094
Other	116	131
TOTAL ADVERTISING AND PROMOTION EXPENSES	**2,246**	**4,828**

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

5) General and Administrative Expenses

	Six-month period ended June 30, 2009	2008
Staff costs including social security	50,075	64,648
Professional fees and services	20,054	22,691
Depreciation and amortisation	7,232	6,432
Travel	3,227	6,620
Transportation	2,111	3,291
Rent	2,962	3,389
Communications	2,580	760
Insurance	2,119	550
Utilities and maintenance	3,333	4,763
Taxes	2,244	2,488
Consumables	1,259	3,837
Other	1,335	4,932
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**98,531**	**124,401**

6) Research and Development Expenses

	Six-month period ended June 30, 2009	2008
Staff costs including social security	3,743	4,600
Professional fees and services	266	582
Depreciation and amortisation	280	358
Travel	49	105
Transportation	64	84
Communications	15	36
Utilities and maintenance	168	285
Consumables	105	273
Other	67	122
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**4,757**	**6,445**

7) Other Operating Expenses

	Six-month period ended June 30, 2009	2008
Loss on disposal of property, plant and equipment	1,683	586
Social and social infrastructure maintenance expenses	6,052	11,206
Charitable donations	2,732	7,005
Other	3,315	5,660
TOTAL OTHER OPERATING EXPENSES	**13,782**	**24,457**

Other operating expenses mainly comprise expenses and additional provisions related to taxes, tax and other fines in the amount of 2,376 and 3,922 for the six months period ended June 30, 2009 and 2008, respectively.

8) Other Operating Income

	Six-month period ended June 30, 2009	2008
Gain on sale of current assets	1,299	22
Assets received for free	124	348
Penalties and fines received	132	738
Other	2,547	2,980
TOTAL OTHER OPERATING INCOME	**4,102**	**4,088**

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

9) Finance Costs and Finance Income

Finance Costs	**Six-month period ended June 30, 2009**	**2008**
Amortisation of ancillary costs incurred in connection with the arrangement of borrowings	13,721	3,949
Interest expense	197,954	81,194
TOTAL FINANCE COSTS	**211,675**	**85,143**

Finance Income	**Six-month period ended June 30, 2009**	**2008**
Gain on extinguishment of debts	30,979	-
Interest income - bank accounts and deposits	988	1,477
Change in fair value of liabilities under put options held by minority shareholders in Taganrog Metallurgical plant	-	5,099
Other finance income	-	4
TOTAL FINANCE INCOME	**31,967**	**6,580**

On January 22, 2009, the Group and Evraz amended the option agreement to reduce the option price from 510,625 to 507,542. In addition, interest clause was removed from the option agreement. As a result, the Group recognised gain on extinguishment of debts of 30,979 in the six-month period ended June 30, 2009.

10) Income Tax

	Six-month period ended June 30, 2009	**2008**
Current income tax expense	6,140	82,185
Current income tax benefit	(25,277)	
Current income tax benefit on hedges of net investment in foreign operations recognised directly in equity	15,872	-
Adjustments in respect of income tax of previous years	(456)	-
Deferred tax expenses arising from write-down of deferred tax asset	1,425	-
Deferred income tax (benefit) /expense related to origination and reversal of temporary differences	(59,976)	4
TOTAL INCOME TAX (BENEFIT) /EXPENSE	**(62,272)**	**82,189**

Current income tax benefit relates to losses of American division that is refundable from fiscal authorities.

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

11) 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.

	Six-month period ended June 30, 2009	2008
Net (loss)/profit attributable to the equity holders of the parent entity	(198,780)	150,870
Weighted average number of ordinary shares outstanding (excluding treasury shares)	865,833,951	871,424,316
(Loss)/Earnings per share attributable to equity holders of the parent entity, basic and diluted (in US dollars)	**(0.23)**	**0.17**

Share options under the TMK share options programme were not included in the calculation of diluted earnings per share as at June 30, 2009 because they were antidilutive.

12) Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	June 30, 2009	December 31, 2008
Russian rouble	34,929	60,036
US dollar	46,041	75,727
Euro	4,671	6,286
Romanian lei	386	854
Other currencies	196	490
TOTAL CASH AND CASH EQUIVALENTS	**86,223**	**143,393**

13) Inventories

Inventories consisted of the following:

	June 30, 2009	December 31, 2008
Raw materials and Supplies	477,577	501,910
Finished goods and WIP	596,032	702,613
GROSS INVENTORIES	**1,073,609**	**1,204,523**
Allowance for write down to net realizable value	(49,357)	(28,587)
NET INVENTORIES	**1,024,252**	**1,175,936**

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

14) Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	TOTAL
COST							
Balance at January 1, 2009	1,174,461	1,946,569	62,291	35,463	2,563	769,217	**3,990,564**
Additions	1,890	1,680	250	307	-	195,670	**199,797**
Assets put into operation	17,068	237,940	1,119	1,791	531	(258,449)	**-**
Disposals	(652)	(9,354)	(302)	(715)	-	(1,176)	**(12,199)**
Currency translation adjustments	(67,078)	(90,418)	(3,836)	(1,886)	(126)	(43,693)	**(207,037)**
BALANCE AT JUNE 30, 2009	**1,125,689**	**2,086,417**	**59,522**	**34,960**	**2,968**	**661,569**	**3,971,125**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance at January 1, 2009	(140,447)	(482,935)	(23,116)	(16,919)	(435)	(2,876)	**(666,728)**
Depreciation charge	(14,306)	(80,251)	(1,777)	(2,386)	(35)	-	**(98,755)**
Impairment	-	(28,074)	-	-	-	-	**(28,074)**
Disposals	107	5,979	198	457	-	-	**6,741**
Currency translation adjustments	7,419	23,001	1,274	892	(5)	82	**32,663**
BALANCE AT JUNE 30, 2009	**(147,227)**	**(562,280)**	**(23,421)**	**(17,956)**	**(475)**	**(2,794)**	**(754,153)**
NET BOOK VALUE AT JUNE 30, 2009	**978,462**	**1,524,137**	**36,101**	**17,004**	**2,493**	**658,775**	**3,216,972**
NET BOOK VALUE AT JANUARY 1, 2009	**1,034,014**	**1,463,634**	**39,175**	**18,544**	**2,128**	**766,341**	**3,323,836**

As at June 30, 2009, the Group conducted an impairment test of property, plant and equipment at that date. As a result the Group determined that carrying value of property, plant and equipment of its Romanian subsidiaries and OAO Orsky Machine Building Plant exceeds their recoverable amount. The recoverable amount was determined based on the value in use determined based on discounted future cash flow. The group used pre-tax discount rates of 14.29% and 15.14% for determining the value in use for Romanian subsidiaries and OAO Orsky Machine Building Plant, respectively. As a result, the Group recognized impairment of property, plant and equipment amounting to 28,074. Events and circumstances that led to recognition of the impairment are disclosed in Note 19.

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

15) Intangible Assets

	Patents and trademarks	Goodwill	Software	Customer relationships	Proprietary technology	Backlog	Other	TOTAL
COST								
Balance at January 1, 2009	209,530	571,394	15,731	472,300	14,100	8,500	8,065	**1,299,620**
Additions	1	-	12	-	-	-	1,536	**1,549**
Disposals	(25)	-	-	-	-	-	(1,362)	**(1,387)**
Reclassification	115	-	1,130	-	-	-	(1,245)	**-**
Currency translation adjustments	(49)	(5,644)	(882)	-	-	-	(449)	**(7,024)**
BALANCE AT JUNE 30, 2009	**209,572**	**565,750**	**15,991**	**472,300**	**14,100**	**8,500**	**6,545**	**1,292,758**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
Balance at January 1, 2009	(180)	(2,970)	(5,740)	(48,851)	(974)	(4,332)	(2,604)	**(65,651)**
Amortisation charge	(37)	-	(1,516)	(49,177)	(881)	(2,200)	(253)	**(54,064)**
Impairment	-	(9,645)	-	-	-	-	-	**(9,645)**
Disposals	18	-	-	-	-	-	508	**526**
Currency translation adjustments	10	(367)	261	-	-	-	283	**187**
BALANCE AT JUNE 30, 2009	**(189)**	**(12,982)**	**(6,995)**	**(98,028)**	**(1,855)**	**(6,532)**	**(2,066)**	**(128,647)**
NET BOOK VALUE AT JUNE 30, 2009	**209,383**	**552,768**	**8,996**	**374,272**	**12,245**	**1,968**	**4,479**	**1,164,111**
NET BOOK VALUE AT JANUARY 1, 2009	**209,350**	**568,424**	**9,991**	**423,449**	**13,126**	**4,168**	**5,461**	**1,233,969**

The carrying amount of goodwill and intangible assets with indefinite useful lives were allocated among cash generating units as follows:

	June 30, 2009	December 31, 2008
American division	681,668	681,668
European division	6,692	6,740
Oilfield service cash generating unit	30,824	40,058
Other cash generating units	42,284	48,658
TOTAL GOODWILL	**761,468**	**777,124**

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired on an annual basis and when circumstances indicate the carrying value may be impaired. At June 30, 2009 there were indicators of impairment, therefore, the Group performed an impairment test at that date.

The aggregation of assets for identifying cash generating units has changed since the previous estimate of the cash-generating unit's recoverable amount. The changes in aggregating the assets into cash generating units are as follows:

Cash generating units in 2009	Cash generating units in 2008
American division	IPSCO Tubulars Inc. NS Group Inc. TMK North America Inc.
European division	TMK Italia s.r.l. TMK Europe GmbH SC TMK-ARTROM SA, SC TMK-RESITA SA

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

15) Intangible Assets (continued)

In 2009 the Group formed the European and American divisions as a separate business units of the Group. As a result, there were changes in management and performance assessment approach of these entities. This caused the changes in the way of aggregating assets into cash generating units.

As a result of the test, the Group determined that the carrying value of Oilfield service cash generating unit and Kaztrubprom Plant cash generating unit exceeds their recoverable amount and the carrying value of American division and other cash generating units approximates their recoverable amount. Consequently, the Group recognized impairment of Oilfield service cash generating unit's goodwill and Kaztrubprom Plant cash generating unit's goodwill in the amount of 6,424 and 3,221 respectively. Kaztrubprom Plant cash generating unit and Oilfield service cash generating unit belong to Russia reportable segment. Events and circumstances that led to recognition of impairment are disclosed in Note 19.

For the purpose of impairment testing of goodwill the Group has determined fair value of each of its cash generating units. The fair value has been calculated using cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash generating unit or group of cash generating units. The key assumptions used by management in calculation of the fair value are presented in the table below. For the periods not covered by management plans, cash flow projections have been estimated by extrapolating the respective business plans taking into account business cycles using in zero growth rate.

Cash generating units	**Period of forecast, years**	**Pre-tax discount rate, %**	**Commodity**	**Average price per ton of commodity**
American division	5	11.41	Welded pipes Seamless pipes	$ 1,144 $ 2,109
European division	5	14.29	Seamless pipes Billets	$ 1,230 $ 657
Kaztrubprom Plant	5	16.33	Seamless pipes	$ 1,080
Oilfield division	5	14.38		
Other cash generating units	5	14.07-15.58		

The calculation of Oilfield service and Kaztrubprom Plant cash generating units' fair value was most sensitive to the following assumptions.

Discount Rates

Discount rates reflect the current market assessment of the risks specific to cash generating unit. The discount rates have been determined using the CAPM concept and analysis of industry peers. Reasonable change in discount rate could lead to further impairment of goodwill.
A 10% increase in the discount rate of Oilfield service cash generating unit would result in an additional impairment of 6,458.
A 10% increase in the discount rate of Kaztrubprom Plant cash generating unit would result in an additional impairment of 1,840.

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

15) Intangible Assets (continued)

Volume of Production and Repair of OCTG Pipes (Oilfield service cash generating unit)

The management assumed that the volume of repaired OCTG pipes would decline by 17% during 2009 and would grow by 1% in 2010. In 2011 and thereafter a zero growth rate was assumed. Reasonable changes in quantities of produced and sold and repaired OCTG pipes could lead to the additional impairment. If the quantities of the units of production sold and repaired were 10% lower than those assumed in the impairment test, this would lead to an additional impairment of 1,823.

Volume of production of Well Casing and OCTG *pipes (Kaztrubprom Plant cash generating unit)*

The management assumed that sale volumes of well casing and OCTG pipes would increase by 24% during July-December of 2009 and would grow in 2010, 2012, 2013 and 2014 by 43%, 25%, 12% and 7%, respectively. This growth will be provided by production capacity increase of the plant.
Reasonable changes in quantities of produced and sold could lead to the additional impairment. If the quantities of the units of production sold were 10% lower than those assumed in the impairment test during 2009 and 2010, this would lead to an additional impairment of 604.

Costs and Expenses

The recoverable amounts of Oilfield service cash generating unit and Kaztrubprom Plant cash generating units are based on the business plans approved by management. The reasonable deviation of cost from these plans could lead to an additional impairment.

If the actual costs of Oilfield service cash generating unit were 10% higher than those assumed in the impairment test during 2009-2013, this would lead to an additional impairment of 12,006.

If the actual costs of Kaztrubprom Plant cash generating unit were 10% higher than those assumed in the impairment test during 2009-2013, this would lead to an additional impairment of 6,384.

16) Trade and Other Payables

	June 30, 2009	December 31, 2008
Trade payables	425,811	578,749
Accounts payable for property, plant and equipment	170,437	144,585
Notes issued to third parties	3,773	869
Sales rebate payable	4,015	5,400
Other payables	17,354	8,930
TOTAL ACCOUNTS PAYABLE	**621,390**	**738,533**

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

17) Interest-Bearing Loans and Borrowings

	June 30, 2009	December 31, 2008
Current:		
Bank loans	1,193,698	1,676,590
Interest payable	49,236	46,651
Current portion of non-current borrowings	266,395	92,463
Current portion of bearer coupon debt securities	459,793	402,078
Unamortised debt issue costs	(3,499)	(3,145)
	1,965,623	**2,214,637**
Finance lease liability - current	2,887	1,822
TOTAL SHORT-TERM BORROWINGS	**1,968,510**	**2,216,459**
Non-current:		
Bank loans	1,345,742	287,811
Bearer coupon debt securities	1,059,793	1,172,259
Unamortised debt issue costs	(33,822)	(10,273)
Less: current portion of non-current borrowings	(266,395)	(92,463)
Less: current portion of bearer coupon debt securities	(459,793)	(402,078)
	1,645,525	**955,256**
Finance lease liability - non-current	36,281	38,969
TOTAL LONG-TERM BORROWINGS	**1,681,806**	**994,225**

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

	Interest rates for period ended	June 30, 2009	Interest rates for period ended	December 31, 2008
Russian Rouble	Fixed 5% -21%	1,027,328	Fixed 7.6% -17.55%	1,206,957
US Dollar	Fixed 8.5%	306,245	Fixed 8.5%	305,451
	Fixed 10%	620,923	Fixed 10%	619,506
	Fixed 2.2%-16%	1,413,423	Fixed 9.75%-14.7%	114,195
	Variable:	4,676	Variable:	659,234
			Libor (1m) + 1.6% - 2.5%	
			Libor (3m) + 1.7%	
	Federal Funds Rate +1.6%		Federal Funds Rate +1.6%	
	Libor (1w) + 2%			
Euro	Fixed 8.5 %	1,881	Fixed 5.11%-9.4%	5,405
	Cost of funds + 1.25% (*)	30,536		
	Variable:	206,136	Variable:	258,734
	Euribor (1m) + 1.6%		Euribor (1m) + 1.6%	
	Euribor (3m) + 4%		Euribor (3m) + 2.75%	
	Euribor (6m) + 0.26% - 4%		Euribor (6m) + 0.23% - 2.4%	
Romanian Lei		-	Fixed 16%	411
TOTAL		**3,611,148**		**3,169,893**

(*) Cost of funds represents internal rate of a bank.

Bank Loans

In January 2009, the Group entered into agreement with Gazprombank for 2.5 year term borrowing facilities of 1,107,542 to refinance the remaining part of the IPSCO Bridge Facility and acquire 49% of NS Group Inc. from Evraz in accordance with a call/put option concluded between TMK and Evraz in June 2008 in the amount of 507,542. As at June 30, 2009, the principle outstanding balance of the loan was 1,107,542.

On March 23, 2009, TMK entered into a short-term loan with VTB Bank in the principal amount of 90,185. As at June 30, 2009, the principle outstanding balance was 90,185. The proceeds were used to redeem the bearer coupon debt securities for the amount of 3,000,000 thousand Russian Roubles on March 24, 2009.

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

17) Interest-Bearing Loans and Borrowings (continued)

Unutilised Borrowing Facilities

As at June 30, 2009, the Group had unutilised borrowing facilities in the amount of 245,550 (December 31, 2008: 280,522).

18) Related Parties Disclosures

Entities under common control with the Group	June 30, 2009	December 31, 2008
Cash and cash equivalents	2,710	6,062
Accounts receivable - current	807	6,007
Prepayments - current	566	2
Accounts receivable – non-current	67	68
Accounts payable - current	(1,446)	(1,427)
Interest payable	(246)	(32)

Entities under common control with the Group	Six-month period ended June 30,	
	2009	2008
Sales revenue	616	12,040
Purchases of goods and services	3,379	4,260
Interest income from loans and borrowings	14	777
Interest expenses from loans and borrowings	233	-

Parent company, TMK Steel, pledged shares of OAO TMK in order to guarantee the Group's loans from Gazprombank in the amount of 1,107,542. The Group paid to the parent company 36,300 for the guarantee.

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, totaling 28 persons as at June 30, 2009 and 32 persons as at June 30, 2008. Total compensation to key management personnel included as part of the general and administrative expenses in the income statement amounted to 6,895 and 10,248 for the six months period ended June 30, 2009 and 2008, respectively. There were no share-based payments to key management personnel for the six months period ended June 30, 2009 (2008: 2,214).

Compensation to key management personnel consists of contractual salary and performance bonus depending on operating results.

The Group issued loans to key management personnel in the amount of 328 during the six month period ended June 30, 2009.

The Group guaranteed debts of key management personnel outstanding as at June 30, 2009 in the amount of 3,264 with maturity in 2009-2014.

The Group purchased 34,318 shares of OAO TMK from key management personnel for 89 during the six month period ended June 30, 2009.

19) Contingencies and Commitments

Operating Environment of the Group

The Group's principal assets are located in the Russian Federation and in the USA. Therefore its significant operating risks are related to the activities of the Group in these countries.

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. The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crises has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Capital and credit markets in the United States have also experienced adverse conditions.

In the first half of the year 2009 the pipe markets of the Russian Federation and globally continued to deteriorate in terms of demand and prices and are expected to remain uncertain until the end of 2009 and in 2010. Based on the current economic outlook and in accordance with management's conservative forecast of market developments the Group expects a decrease in profit and cash flows in comparison with previous forecasts and a later recovery of demand and sale volumes. This led to a corresponding impairment of the certain Group assets in this interim period.

Taxation

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

19) Contingencies and Commitments (continued)

Taxation (continued)

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.

In 2007 and 2008, the Russian subsidiaries of the Group received claims from the tax authorities for the total amount of 827,852 thousand Russian roubles (26,457 at the exchange rate as at June 30, 2009). As at the date of the authorization for issue of these consolidated financial statements, the courts made decisions in favor of the Group for the total amount of 747,706 thousand Russian roubles (23,896 at the exchange rate as at June 30, 2009). The claims for 21,506 thousand Russian roubles (687 at the exchange rate as at June 30, 2009) are continued to be contested by the Group in the courts.

In 2009, one of the Russian subsidiaries of the Group received preliminary act for results of a tax audit in respect of 2006-2007 fiscal periods. The tax authorities indicated that, in their opinion, the subsidiary understated income tax by 310,355 thousand Russian roubles (9,919 at the exchange rate as at June 30, 2009). The Group intends to contest this act with the superior tax authorities.

Management believes that the Group's position is justified and it is not probable that the ultimate outcome of these matters will result in additional losses for the Group. Therefore, the amounts of tax claims being contested by the Group were not accrued in the consolidated financial statements for the six-month period ended June 30, 2009.

Contractual Commitments and Guarantees

As at June 30, 2009, the Group had contractual commitments for the acquisition of property, plant and equipment from third parties for 2,399,163 thousand Russian roubles (76,674 at the exchange rate as at June 30, 2009), 171,640 thousand euros (240,365 at the exchange rate as at June 30, 2009), 6,859 Romanian lei (2,273 at the exchange rate as at June 30, 2009) and 996 US dollars for the total amount of 320,308 (all amounts are expressed net of VAT). The Group has paid advances of 43,312 with respect to such commitments.
Under the contractual commitments disclosed above, the Group opened unsecured letters of credit in the amount of 91,322 (2008: 154,556).

Insurance Policies

The Group maintains minimal obligatory insurance policies required by 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.

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

19) Contingencies and Commitments (continued)

Legal Claims

During the period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. 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.

Guarantees of Debts of Others

The Group has guaranteed debts of others (including guaranteed debts of key management personal) outstanding in the amount of 5,374 and 6,219 at June 30, 2009 and December 31, 2008, respectively.

20) Equity

i) Dividends

The Company declared no final dividend in respect of 2008.

ii) Dividends by the Group's Subsidiaries to Minority Shareholders

During the six-month period ended June 30, 2009 and 2008, the Group's subsidiaries declared dividends to minority shareholders in the amount of 2,302 and 4,752, respectively.

iii) Treasury shares

During the six-month period ended June 30, 2009, the Group purchased 34,318 shares of the Company for 89. As at June 30, 2009, the Group owned 7,201,367 treasury shares.

	Number of shares	Cost
Outstanding as at January 1, 2009	7,167,049	37,827
Purchased during six months	34,318	89
Outstanding as at June 30, 2009	**7,201,367**	**37,916**

iv) Warrants

At March 5, 2008, the Group purchased 1,200,000 warrants for the total amount of 5,590. The warrants grant the Group a right to acquire the Company's shares at a strike price of 4,51 US dollars per share. The Group did not exercise the warrants which expired on October 10, 2009.

20) Equity (continued)

v) Hedge of Net Investment in Foreign Operations

At the date of acquisition of controlling interests in NS Group, Inc. and IPSCO Tubulars, Inc. the Group hedged its net investment in these operations against foreign currency risk using US dollar denominated liabilities incurred in connection with this acquisition. As at December 31, 2008, such liabilities included 600,000 bridge loan facility, 600,000 10% loan participation notes issued on July 25, 2008 and put option liability to Evraz Group S.A. amounting to 510,625. The aim of the hedging was to eliminate foreign currency risk associated with the repayment of the liabilities resulting from changes in US dollar/Russian rouble spot rates.

As disclosed in Notes 9 and 17, in January 2009 the Group refinanced its liabilities under the bridge loan and put option using the proceeds from borrowings. As a result, at the date of refinancing, the Group ceased previous hedging relationships and designated 600,000 10% loan participation notes and liability under the new borrowing facility as hedging instruments. The refinancing was structured in the way that reduced the Group's liabilities, which are available to hedge the foreign currency risk, to 1,200,000.

The effectiveness of the hedging relationship was tested using the dollar offset method by comparing the cumulative gains or losses due to changes in US dollar/Russian rouble spot rates on the hedging instrument and on the hedged item. In the six-month period ended June 30, 2009, the effective portion of net losses from spot rate changes of the above mentioned liabilities of 4,994,214 thousand roubles (164,946 at historical exchange rate), net of income tax benefit of 458,400 thousand roubles (approximately 15,872 at historical exchange rate), was recognised directly in other comprehensive income (foreign currency translation reserve).

vi) *Acquisition of Minority Interests in Subsidiaries*

In the six-month period ended 30 June 2009, the Company purchased additional 0.65% of OAO Seversky Pipe Plant shares, 0.84% of OAO Sinarsky Pipe Plant shares, 0.06% of OAO Taganrog Metallurgical Plant shares and 0.24% of SC TMK-RESITA SA shares. The total cash consideration for the shares amounted to 6,749.

In addition, as a result of increase of share capital of SC TMK-ARTROM SA, the Group increased its interest in this subsidiary by 12.11% and received contribution from minority shareholders of 145.

21) Events after the Statement of Financial Position Date

At the date of publication of these interim condensed consolidated financial statements the Group's debt to EBITDA ratio under 10% loan participation notes due 2011 exceeds its allowed level. As a consequence, the Group will be limited from increasing its financial indebtedness except for amounts available under clauses of permitted indebtedness.

21) Events after the Statement of Financial Position Date (continued)

On July 8, 2009, the Group offered to the holders of the loan participation notes to increase the level of permitted indebtedness up to 100,000 or sell the notes to the Group at offered price. The offer expired on July 31, 2009. As a result, the Group bought back 4,133 notes with carrying amount of 410,262. Total payments of the Group related to this transaction comprised 415,711, which was financed by 450,000 loan provided by VTB.

In August 2009, the Group amended agreement with Gazprombank for borrowing facilities of 1,107,542 extending the loan term from 2.5 to 5 years and reducing interest rate. The facilities will be repaid by 12 tranches starting from 2011.

On September 29, 2009 the Group fully repaid its liability for the amount of 300,000 and 12,750 of coupon under the loan participation notes issued on September 29, 2006 using the proceeds from the loan provided by VTB.

On September 10, 2009 the Group disposed of VTB shares for 8,176.