

OJSC Chelyabinsk Tube-Rolling Plant

**International Financial Reporting Standards
Consolidated Financial Statements**

31 December 2004

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 31, 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

7 October 2005

AUDITORS' REPORT

To the Shareholders of OJSC Chelyabinsk Tube-Rolling Plant:

We have audited the accompanying consolidated balance sheet of Open Joint Stock Company "Chelyabinsk Tube-Rolling Plant" and its subsidiaries (the "Group") as of 31 December 2004 and the related consolidated statements of operations, of cash flows and of changes in shareholders' equity for the year then ended. These financial statements (as set out on pages 1 to 31) are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to Note 5 of the accompanying consolidated financial statements. A substantial portion of the Group's purchases are 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.



Moscow, Russian Federation

7 October 2005

OJSC Chelyabinsk Tube-Rolling Plant
Consolidated Balance Sheet at 31 December 2004
(in thousands of Russian Roubles)



	Note	31 December 2004	31 December 2003
ASSETS			
Current assets:			
Cash and cash equivalents	6	245,117	145,626
Available-for-sale investments, promissory notes receivable and originated loans	7	548,596	178,036
Accounts receivable and prepayments	8	4,995,549	1,875,473
Inventories	9	5,348,822	2,428,142
Total current assets		11,138,084	4,627,277
Non-current assets:			
Property, plant and equipment	10	12,665,984	4,997,138
Advances for capital construction		340,413	678,709
Intangible assets	11	252,963	24,236
Investments in associates	12	-	51,075
Available-for-sale investments	13	3,862	8,320
Originated loans	5	13,964	2,151
Other assets		727	-
Total non-current assets		13,277,913	5,761,629
Total assets		24,415,997	10,388,906
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	14	2,704,110	1,125,377
Borrowings	15	11,396,937	1,717,344
Advances from customers		1,253,404	281,361
Promissory notes payable	17	319,695	-
Taxes payable	16	260,807	182,037
Total current liabilities		15,934,953	3,306,119
Non-current liabilities:			
Borrowings	15	157,826	783,490
Taxes payable	16	35,357	-
Promissory notes payable	17	36,439	-
Employee benefits		25,387	10,634
Deferred tax liability	22	1,222,423	109,979
Total non-current liabilities		1,477,432	904,103
Total liabilities		17,412,385	4,210,222
Minority interest	24	2,164,190	-
Shareholders' equity:			
Share capital	18	2,498,261	2,498,261
Legal reserves		23,619	23,619
Retained earnings		2,317,542	3,656,804
Total shareholders' equity		4,839,422	6,178,684
Total liabilities and shareholders' equity		24,415,997	10,388,906

Sadykov V. V.
 General Director
Approved by the Management Board 7 October 2005

Cherepanov I.V.
 Finance Director

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

OJSC Chelyabinsk Tube-Rolling Plant
Consolidated Statement of Operations for the year ended 31 December 2004
(in thousands of Russian Roubles)



	Note	Year ended 31 December 2004	Year ended 31 December 2003
Sales	19	19,076,242	14,600,310
Cost of sales	20	(17,793,510)	(12,558,592)
Gross profit		1,282,732	2,041,718
Distribution, General and Administrative expenses	21	(2,132,944)	(1,707,418)
Operating (loss) profit		(850,212)	334,300
Finance income and costs, net		(417,189)	(220,518)
Net foreign exchange gain		111,118	87,657
(Loss) profit before taxation		(1,156,283)	201,439
Income tax expense	22	(182,795)	(122,840)
(Loss) profit after taxation		(1,339,078)	78,599
Minority interest	24	(184)	-
Net (loss) profit		(1,339,262)	78,599

Sadykov V.V.
General Director

Approved by the Management Board 7 October 2005

Cherepanov I.V.
Finance Director

OJSC Chelyabinsk Tube-Rolling Plant
Consolidated Statement of Cash Flows for the year ended 31 December 2004
(in thousands of Russian Roubles)



	Note	Year ended 31 December 2004	Year ended 31 December 2003
Cash flows from operating activities:			
(Loss) income before taxation		(1,156,283)	201,439
Adjustments for:			
Goodwill impairment	20	1,599,152	-
Share in net profit of associate		(528)	-
Depreciation and amortisation	10, 11, 12	417,846	403,553
Change in provision for impairment of receivables	21	68,186	(19,416)
Fair value adjustment of available-for-sale investments	21	-	136,246
Loss on disposal of available-for-sale investments	21	30,516	-
Change in provision for impairment of inventory	20	(9,470)	(13,761)
Gain on disposal of property, plant and equipment		(6,139)	(12,443)
Gain on disposal of subsidiary	21	-	(11,271)
Finance income and costs, net		417,189	220,518
Foreign exchange effects on non-operating balances		(121,549)	(73,289)
Operating cash flows before working capital changes		1,238,920	831,576
Change in accounts receivables and prepayments		(1,162,725)	(631,871)
Change in inventories		(688,557)	(743,312)
Change in accounts payable and accrued expenses		318,466	757,583
Change in employee benefits payable		14,753	(17,434)
Cash (used in) from operations		(279,143)	196,542
Income taxes paid		(118,939)	(153,872)
Interest paid		(390,541)	(248,466)
Net cash used in operating activities		(788,623)	(205,796)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(1,719,870)	(1,179,245)
Proceeds from the sale of property, plant and equipment		211,207	23,646
Purchase of intangible assets		(40,256)	(13,933)
Interest received		6,851	662
Purchase of available-for-sale investments, promissory notes and loans given		(1,856,594)	(2,275,276)
Proceeds from sale of available-for-sale investments, promissory notes and loans redeemed		287,131	2,862,799
Equity investments made		-	(51,699)
Acquisition of subsidiaries	24	(4,369,036)	-
Proceeds from sale of subsidiary		-	19,550
Net cash used in investing activities		(7,480,567)	(613,496)
Cash flows from financing activities:			
Proceeds from borrowings		18,913,896	10,165,601
Repayment of borrowings and non-current taxes payable		(10,545,215)	(9,224,130)
Net cash from financing activities		8,368,681	941,471
Net increase in cash and cash equivalents		99,491	122,179
Cash and cash equivalents at the beginning of the period		145,626	23,447
Cash and cash equivalents at the end of the period	6	245,117	145,626

Sadykov V.Y.
General Director

Cherepanov I.V.
Finance Director

Approved by the Management Board 7 October 2005

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

*OJSC Chelyabinsk Tube-Rolling Plant
Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2004
(in thousands of Russian Roubles)*



	Share capital	Legal reserve	Retained earnings	Total shareholders' equity
Balance at 31 December 2002	2,498,261	23,619	3,578,205	6,100,085
Net income for the year	-	-	78,599	78,599
Balance at 31 December 2003	2,498,261	23,619	3,656,804	6,178,684
Net loss for the year	-	-	(1,339,262)	(1,339,262)
Balance at 31 December 2004	2,498,261	23,619	2,317,542	4,839,422

Sadykov V.V.
General Director

Cherepanov I.V.
Finance Director

Approved by the Management Board 7 October 2005