

OJSC Pervouralsky Novotrubny Zavod

**International Financial Reporting Standards
Consolidated Financial Statements**

30 September 2005

STATEMENT OF MANAGEMENT RESPONSIBILITIES

To the Shareholders of OJSC Pervouralsky Novotrubny Zavod:

International convention requires that management prepare financial statements, which present fairly, in all material respects, the state of affairs of OJSC Pervouralsky Novotrubny Zavod 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.Y.
General Director

12 December 2005

REVIEW REPORT OF THE AUDITORS

To the Shareholders of OJSC Pervouralsky Novotrubny Zavod:

We have reviewed the accompanying consolidated interim balance sheet of Open Joint Stock Company "Pervouralsky Novotrubny Zavod" 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 thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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

OJSC Pervouralsky Novotrubny Zavod
Consolidated Balance Sheet at 30 September 2005
(in thousands of Russian Roubles)



	Note	30 September 2005	31 December 2004
ASSETS			
Current assets:			
Cash and cash equivalents	9	230,775	110,241
Available-for-sale investments, promissory notes receivable and originated loans	10	119,728	15,187
Accounts receivable and prepayments	11	2,889,144	1,962,649
Inventories	12	2,619,498	2,217,315
Total current assets		5,859,145	4,305,392
Non-current assets:			
Property, plant and equipment	13	5,408,759	5,623,656
Advances for capital construction		60,634	69,483
Intangible assets	14	32,253	9,363
Available-for-sale investments	15	85,110	3,862
Other non-current assets		-	722
Total non-current assets		5,586,756	5,707,086
Total assets		11,445,901	10,012,478
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	16	613,908	2,055,477
Borrowings	17	2,977,160	638,420
Advances from customers		72,667	152,051
Promissory notes payable	19	450,000	1,499,695
Taxes payable	18	91,277	28,058
Total current liabilities		4,205,012	4,373,701
Non-current liabilities:			
Borrowings	17	590,222	157,826
Taxes payable	18	-	35,357
Promissory notes payable	19	11,903	36,439
Deferred tax liability	24	884,438	924,914
Total non-current liabilities		1,486,563	1,154,536
Total liabilities		5,691,575	5,528,237
Equity:			
Share capital	20	1,224,492	1,224,492
Fair value reserve		29,419	-
Retained earnings		4,373,543	3,132,877
Equity attributable to the Group's equity holders		5,627,454	4,357,369
Minority interest	26	126,872	126,872
Total equity		5,754,326	4,484,241
Total liabilities and shareholders' equity		11,445,901	10,012,478

Sadykov V.V.
 General Director

Approved by the Management Board 12 December 2005

Sazonov V.B.
 Chief accountant

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

OJSC Pervouralsky Novotrubny Zavod
Consolidated Statement of Income for the nine months ended 30 September 2005
(in thousands of Russian Roubles)



	Note	Nine months ended 30 September 2005 RR'000	Nine months ended 30 September 2004 RR'000 (unreviewed)
Sales	21	13,571,602	5,569,109
Cost of sales	22	(10,493,736)	(4,677,449)
Gross profit		3,077,866	891,660
Distribution, General and Administrative expenses	23	(1,150,798)	(812,889)
Operating profit		1,927,068	78,771
Finance income and costs, net		(267,831)	(83,958)
Net foreign exchange gain (loss)		9,118	(7,853)
Profit (loss) before taxation		1,668,355	(13,040)
Income tax expense	24	(427,689)	(16,897)
Profit (loss) after taxation		1,240,666	(29,937)
Profit (loss) is attributable to:			
Equity holders of the Group		1,240,666	(60,024)
Minority interest	26	-	30,087
Profit (loss) for the period		1,240,666	(29,937)

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

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OJSC Pervouralsky Novotrubny Plant
Consolidated Statement of Cash Flows for the nine months ended 30 September 2005
(in thousands of Russian Roubles)



	Note	Nine months ended 30 September 2005 RR'000	Nine months ended 30 September 2004 RR'000 (unreviewed)
Cash flows from operating activities:			
Income (loss) before taxation		1,668,355	(13,040)
Adjustments for:			
Depreciation and amortisation	22,23	391,459	3 83,550
Bad debt provision	23	33,175	24,252
Change in provision for impairment of inventory	22	7,911	-
Gain on disposal of property, plant and equipment		(1,528)	35,961
Gain on waived obligations for restructured tax penalties and fines	23	(35,357)	(1 08,932)
Finance income and costs, net		267,831	83,958
Foreign exchange effects on non-operating balances		(3,705)	(2,567)
Operating cash flows before working capital changes		2,328,141	403,182
Change in accounts receivables and prepayments		(995,827)	(3 04,100)
Change in inventories		(410,094)	(7 32,897)
Change in accounts payable and accrued expenses		(1,454,748)	7 00,375
Trade accounts payable replaced by own promissory notes issued		-	66,643
Inventory given to settle promissory notes payable		-	(5 1,322)
Cash (used in) from operations		(532,528)	81,881
Income taxes paid		(441,298)	(1 13,479)
Interest paid		(270,816)	(86,081)
Net cash used in operating activities		(1,244,642)	(1 17,679)
Cash flows used in investing activities			
Purchases of property, plant and equipment		(193,032)	(4 75,504)
Proceeds from the sale of property, plant and equipment		32,128	1 1,828
Purchase of intangible assets		(29,130)	-
Interest received		-	265
Purchase of available-for-sale investments, promissory notes and loans given		(1,245,849)	(4,280)
Proceeds from sale of available-for-sale investments, promissory notes and loans redeemed		1,099,491	-
Net cash used in investing activities		(336,392)	(467,691)
Cash flows from financing activities:			
Proceeds from borrowings		17,891,258	1,201,811
Repayment of borrowings and non-current taxes payable		(16,189,690)	(565,541)
Common stock issued by subsidiaries		-	7,500
Net cash from financing activities		1,701,568	643,770
Net increase in cash and cash equivalents		120,534	58,400
Cash and cash equivalents at the beginning of the period		110,241	24,281
Cash and cash equivalents at the end of the period	9	230,775	82,681

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

Sazonov V.B.
 Chief accountant

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OJSC Pervouralsky Novotrubny Zavod
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	Retained earnings	Fair value reserve	Total		
Balance at 1 January 2004	1,224,492	3,212,909	-	4,437,401	55,993	4,493,394
Increase of share capital in subsidiaries	-	-	-	-	8,100	8,100
Disposal of share in subsidiary	-	-	-	-	22,663	22,663
Net loss for the period	-	(60,024)	-	(60,024)	30,087	(29,397)
Balance at 31 December 2004	1,224,492	3,132,877	-	4,357,369	126,872	4,484,241
Change in fair value of available for sale investment	15	-	29,419	29,419	-	29,419
Net income for the period	-	1,240,666	-	1,240,666	-	1,240,666
Balance at 30 September 2005	20 1,224,492	4,373,543	29,419	5,627,454	126,872	5,754,326

Sadykov V.V.
 General Director

Approved by the Management Board 12 December 2005

Sazonov V.B.
 Chief accountant

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