



2005

REVIEW OF 2004 AND
THE FIRST HALF OF 2005

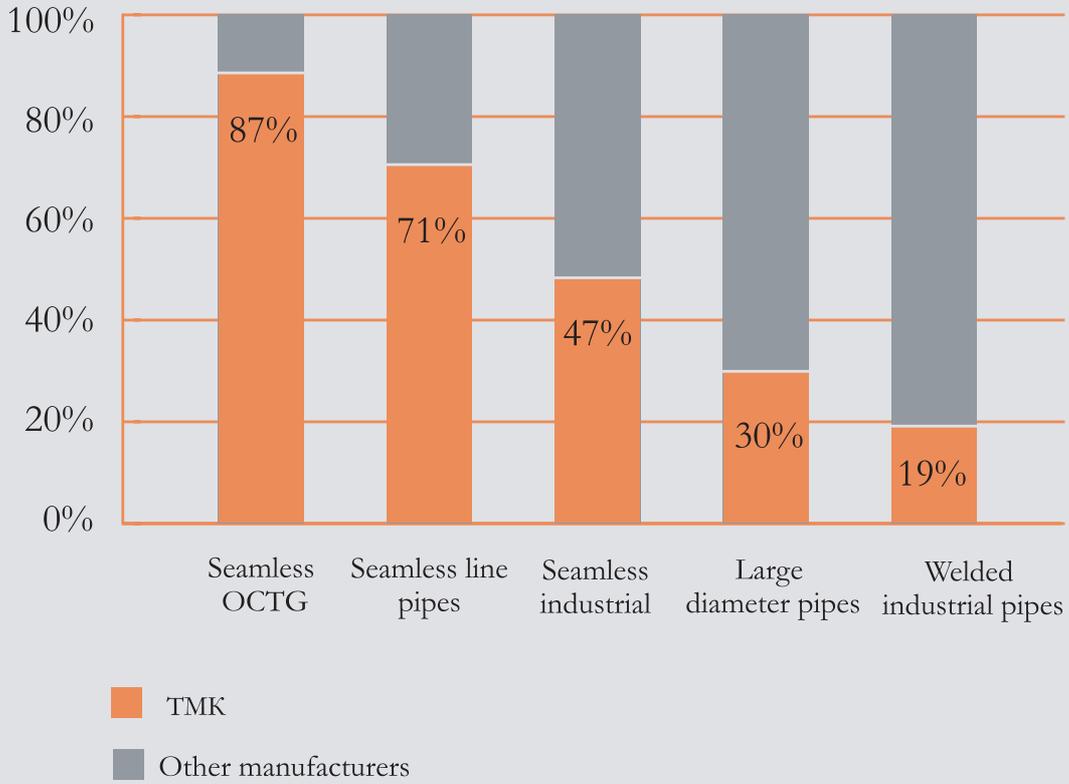
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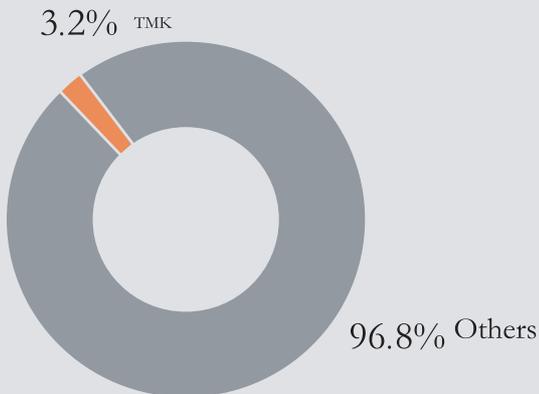
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TMK SHARE IN RUSSIAN STEEL PIPE PRODUCTION BY PRODUCT TYPES IN 2004

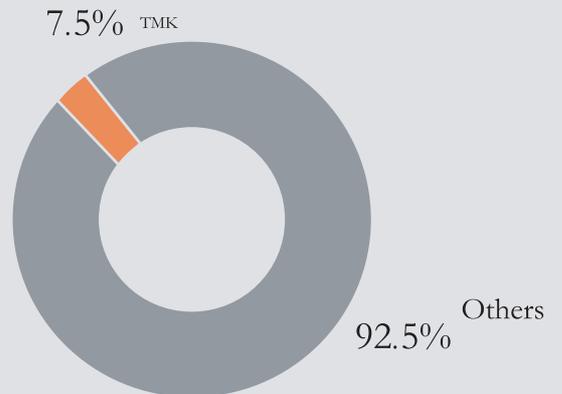


TMK SHARE IN WORLD PIPE PRODUCTION IN 2004

Steel pipe production



Seamless pipe production



ABOUT THE COMPANY

KEY FINANCIAL HIGHLIGHTS OF 2004 AND FIRST HALF OF 2005 ('000 RUR)

	Year ended December 31, 2004 (audited)	Year ended December 31, 2003 (audited)	Change %	Six months ended June 30, 2005 (unaudited)	Six months ended June 30, 2004 (unaudited)	Change %
Net sales	53 617 612	39 863 734	34.5	36 337 802	24 643 594	47.5
Gross profit	9 576 859	4 066 312	135.5	9 084 381	4 419 947	105.6
Gross margin %	17.9%	10.2%	—	25.0%	17.9%	—
Operating profit	3 764 709	92 773	n/m	5 339 748	1 372 361	289.2
Operating margin %	7.0%	0.2%	—	14.7%	5.6%	—
Profit (loss) before income tax	1 102 505	(624 862)	n/a	4 284 258	211 783	n/m
Net profit (loss)	664 455	(696 363)	n/a	3 195 081	168 688	n/m

TMK Group is the leading Russian pipe manufacturer and the world's second largest producer of steel pipes.

TMK currently supplies companies in more than 60 countries, including major operators such as Shell, TNK-BP, Total and Repsol. Its customers in Russia include Gazprom, Rosneft, Lukoil, and other leading companies in the oil and gas sector.

In addition to the oil and gas sector, TMK pipes are also used in other industries such as chemical and petrochemicals, engineering, power utilities and construction.

TMK has led the consolidation of the Russian pipe manufacturing sector, bringing together four major pipe producers:

- Volzhsky Pipe Plant;
- Seversky Tube Works;
- Sinarsky Pipe Works;
- Taganrog Metallurgical Works.

Currently TMK is an integrated holding company which includes, besides its plants, Trade House TMK, that manages raw material procurement and sales for TMK subsidiaries, SINARA Trading AG, that manages export of TMK products outside CIS and TMK Trans transport company, as well as local offices and warehouses. TMK's headquarters is located in Moscow.

TMK production capacity is approximately 3.7 million tonnes of pipes. TMK's plants account for 82% of Russian capacity of seamless pipe production for the oil and gas industry.

TMK is the largest steel pipe producer in Russia, with the output share of 44% of the total volume. TMK accounts for over 80% production of seamless pipes for the oil and gas sector in Russia. Total pipe production in 2004 reached 2.5 million tonnes, of which 780 000 tonnes were exported.

TMK plants employ over 46 000 workers. TMK operations are managed by a highly professional team with exceptional experience in production, finance and management.

HISTORY OF THE COMPANY

- April 2001 — Creation of TMK Closed Joint Stock Company as an investment company for the Russian pipe industry.

- Beginning of 2002 — Agreement between CJSC TMK and two Russian pipe mills: OJSC Volzhsky Pipe Plant (Volgograd region) and OJSC Seversky Tube Works (Sverdlovsk region). According to the agreement, TMK provides management services, including strategic planning and coordination of their activities, as well as development of technical, marketing, commercial, financial and economical policy.

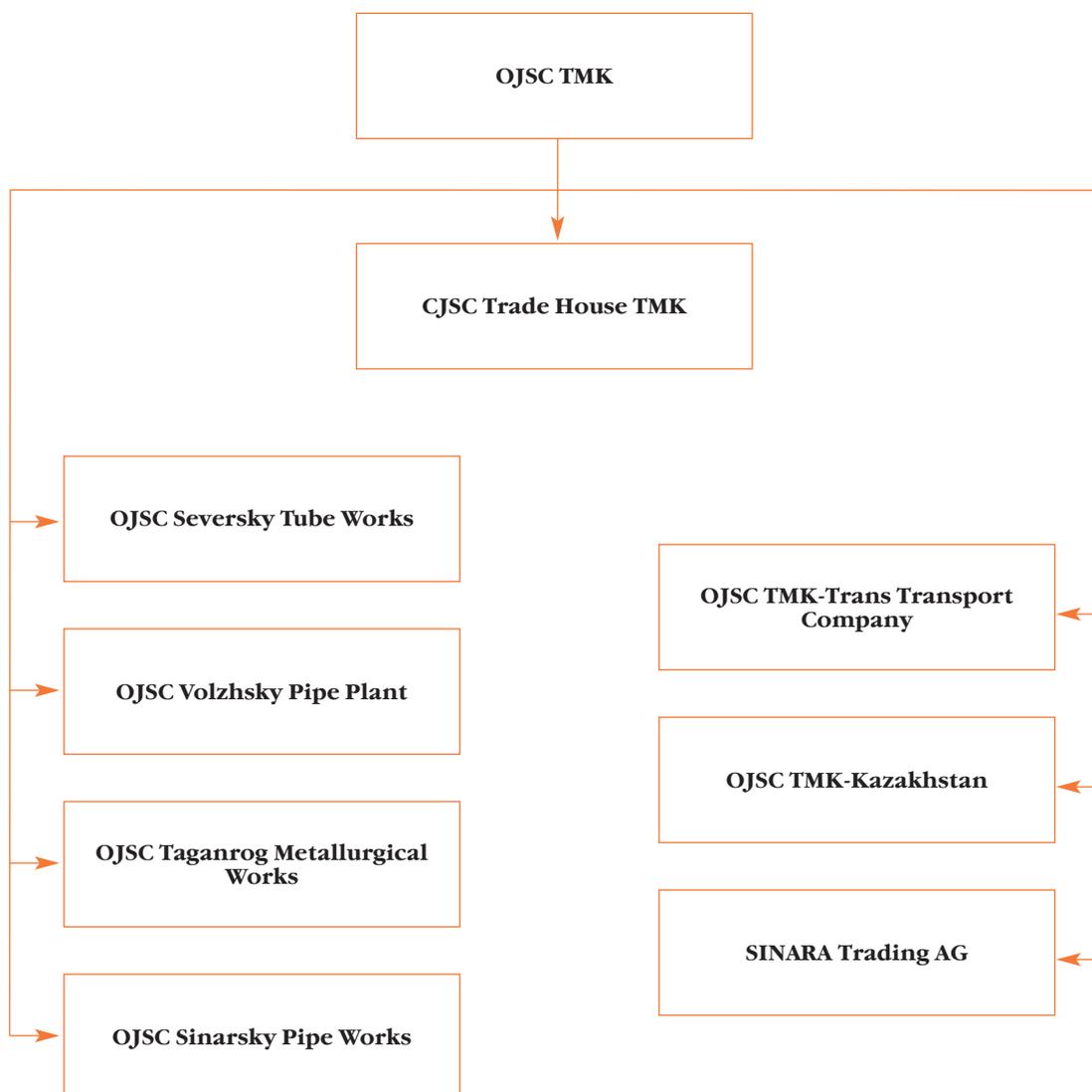
- July 2002 — CJSC TMK signed an agreement with OJSC Taganrog Metallurgical Works (Rostov region) on the provision of management services.

- March 2003 — CJSC TMK signed an agreement with Sinarsky Pipe Works on the provision of management services.

- Beginning of 2004 — CJSC TMK acquired controlling stocks of all four plants. Management regulations of the plants were modified, allowing to make CJSC TMK the sole executive body of each of the company's plants.

- June 2005 — CJSC TMK was reorganized into an Open Joint Stock Company (OJSC) TMK.

COMPANY STRUCTURE





INTRODUCTION



REPORT BY CHAIRMAN OF THE BOARD OF DIRECTORS



2004 was undoubtedly one of the most successful years in TMK's history. The year's results show that the company is an undisputed leader among Russian manufacturers, the world's second largest steel pipe manufacturer and the third in production of seamless pipes and seamless pipes for oil and gas sector.

From the beginning of 2004, CJSC TMK has functioned as a managing company for the plants operating as a part of the holding company: OJSC Volzhsky Pipe Plant, OJSC Seversky Tube Works, OJSC Sinarsky Pipe Works, and OJSC Taganrog Metallurgical Works. The change in the factory management is a part of the TMK structural improvement program aimed at increasing operational efficiency, transparency and investor attractiveness. The most important step on this path was made by the company in June 2005 by changing its form to an Open Joint Stock Company. Independent directors have been included in the Board of Directors. TMK produces financial reports in accordance with international standards.

The company will conduct its further development primarily via expansion and in the most profitable sector — production and supply of seamless pipes for the oil and gas sector.

TMK sees its business development prospects in the creation of maximum added-value products by implementing advanced technologies and conducting a major cost optimization program, as well as increasing its profitability by expanding its global presence, developing services and creating additional benefits for TMK customers. Large-scale modernization of steel production facilities and upgrading pipe manufacturing capacities play key roles in this task.

TMK has developed a strategic investment program based on the maximum utilization of various possibilities and instruments provided by Russian and international financial markets. The company develops investment projects, attracting leading Russian and international bank and financial groups.

During modernization program planning, TMK first of all takes into account requirements presented by its primary customers. Cooperation with such companies as Gazprom, Transneft, TNK-BP, Lukoil, Rosneft, Surgutneftegas, Saudi Aramco, Shell, Total, Statoil, Occidental, AGIP, Wintershall and many others is based on the principles of long-term partnership. Currently TMK products are certified or undergo certification by the largest international oil and gas companies.

Currently TMK meets every requirement to reach its goal — becoming a global supplier of high-quality products. High product quality and wide product range, modern technologies, an integrated and highly professional team, as well as trust and interest from partners and investors provide a solid base for further growth, for the benefit of our shareholders, employees, the industry and the Russian economy.

*Chairman of OJSC TMK Board of Directors
Dmitry Pumpyansky*

REPORT BY GENERAL DIRECTOR



2004 was a year of strong results for TMK. The company completely fulfilled its plans and obligations to its partners and formed a solid base for further growth and development.

Thanks to a favorable market situation and increase in production efficiency, revenues grew by 34.5%, to 53.6 billion Rubles, the volume products delivered increased to 2.5 million tonnes of pipes. Actively expanding in the world markets, TMK significantly strengthened its leading position in Russian pipe exports, increasing the volume of export deliveries to 780 000 tonnes of pipes, or showed growth by 40% as compared to 2003. TMK delivers its products to more than 60 countries. The share of the company in the world pipe trade increased to 6%.

TMK made a confident start in 2005, with revenues in the first half of the year increasing by 47.5% compared to the first six months of 2004 and reaching 36.3 billion Rubles. Net profit of the company was 3.2 billion Rubles, significantly more than in the previous year.

In the first half of the current year, the company signed new important contracts with its primary customers, including Gazprom and TNK-BP; its products were certified by the world's largest companies.

These results demonstrate positive trends in TMK's development during recent years. Created in 2001 as an investment company for the Russian pipe industry, TMK became the leader in its sector. During that period TMK's share in Russian pipe production increased from 19% to 44%, the volume of pipe production rose 2.4 times and exports grew by more than 70%.

Being able to offer the full range of pipe products, TMK constantly enhances its competitive advantages, provides flexibility in solutions it offers and maximum efficiency in utilization of production capacities. TMK products conform to Russian GOST and TU standards, as well as international API, ASTM, EN\ DIN standards. Quality system in all company plants is certified according to ISO 9001 and API Spec SQ standards.

Priority in investment in 2004 was assigned to a large-scale production modernization program, amounting to 1.8 billion Rubles (\$65 million). When undertaking capital expenditure, the company takes into account the social requirements of the public, government and region authorities. A significant part of the funds is allocated for environmental protection measures. For its investment projects TMK uses various financial instruments: The company's own funds, as well as long-term bank credits, including syndicated ones, bonds and other possibilities.

Implementation of a corporate information ERP system based on SAP/R3 continues successfully. Starting from 2005, a number of business processes are being carried out under the SAP/R3 system. The largest plant of the company, Volzhsky Pipe Plant, is preparing for large-scale implementation of the system. The ERP system covers the primary fields of TMK plant activities: Production planning, accounting, financial management, supply management and sales.

In 2004, TMK confirmed its reputation as a socially responsible company. In 2004, TMK allocated over 410 million Rubles for labor protection, industrial safety and environmental protection measures. The company conforms to ISO 14001 (environmental protection) and OHSAS 18001 (labor protection and industrial safety) standards.

We appreciate professionalism and responsibility of the company employees. It should be noted that intensive production programs are being conducted along with technical modernization of the plants. In such difficult conditions, the tasks are completed efficiently and on time. I would also like to thank our customers, suppliers and partners for their continuing support of TMK. Judging from our positive results in 2004 and the first half of 2005, we look forward with confidence to a successful 2005.

*OJSC TMK General Director
Konstantin Semerikov*



COMPANY STRATEGY

COMPANY STRATEGY

TMK ROUTE MAP



The TMK route map is based on the development of inherent strengths of the company.

It sets out the process by which TMK will transform itself into a world leader in pipe production for the oil industry and supplier of effective solutions for customers in the sector.

The key tasks in TMK's business development are the creation of maximum added value and increased profitability of the business.

According to TMK's strategy, these will be achieved by introduction of advanced technologies and implementation of a highly developed cost control program, as well as an increased global presence, service development and additional benefits for TMK customers.

COMPANY STRATEGY

TMK is the second largest world steel pipe manufacturer and the third largest world seamless pipes producer for the oil and gas sector.

TMK's primary strategic goal is to become a global supplier of high-quality competitive pipe products manufactured according to international standards.

TMK has developed its strategy in response to current market trends. Its key elements are:

- First. Implementation of a major investment program, aimed at efficiency gains in all stages of pipe production. The program involves quality improvements and increased efficiency of steel production, modernization of pipe production facilities and capacity increases in pipe finishing.
- Second. Enhancement of TMK's global presence and strengthened relationships with key customers. TMK will increase the number of its long-term supply agreements, on the model of the agreements with Gazprom and TNK-BP and make commercial alliances similar to that agreed with Lone Star Steel, the largest American pipe supplier.
- Third. Development of seamless pipe technical and service offers for the global oil and gas sector, including companies such as Surgutneftegaz, TNK-BP, Sibneft, Rosneft, Transneft, Gazprom.
- Fourth. Selective international acquisitions. In 2005, TMK acquired SINARA Trading AG company, with its distribution and agent network in the main oil and gas regions of the world.

COMPANY STRATEGY

MARKET POSITION

The world seamless pipe industry is consolidated around several leaders, providing moderate competition in this market segment. At the same time, the number of manufacturers in the welded pipe segment is increasing. After a decline in 2002, world steel pipe production grew and, according to various estimates, reached about 72.6 million tonnes in 2003 and 78.4 million tonnes in 2004.

During the last 5 to 7 years, the creation of horizontally integrated holdings — Tenaris, TMK and Vallourec — was completed. These holdings became the leaders of global seamless pipe production.

LEADING PIPE MANUFACTURERS IN 2004

Company	Share in world production, %
Tenaris	3.8
TMK	3.2
Vallourec	2.9
Baosteel	2.0
Salzgitter+Mannesmann	1.9
Sumitomo	1.9
JFE	1.7
ChTPZ+PNTZ	1.6
Mittal Steel	1.4
Interpipe	1.3
US Steel	1.2
Others	77.1

LEADING SEAMLESS PIPE MANUFACTURERS IN 2004

Company	Share in world production, %
Tenaris	11.2
Vallourec	9.3
TMK	7.5
BaoSteel	5.9
Sumitomo	4.0
US Steel	4.0
TPCO	3.6
Others	54.4

As a result of manufacturers consolidation, three large holding companies appeared in the Russian pipe industry: TMK, United Metallurgical Company (OMK), including Vyksunsky Metallurgical Works and Almet'yevsk Pipe Plant, and ChTPZ Group, comprising Chelyabinsky TPZ and Pervouralsky NTZ.

PRIMARY RUSSIAN STEEL PIPE MANUFACTURERS IN 2004

Company	2003, thousand tonnes	2004, thousand tonnes	Market share, %	Change 2004/2003, %
TMK	2468	2499.8	41.2	1.2
Volzhsky Pipe Plant (VTZ)	753.3	787	12.8	4.0
Taganrog Metallurgical Works (Tagmet)	564.1	600.3	9.9	6.4
Sinarsky Pipe Works (SinTZ)	563.7	525.8	9.7	0.2
Seversky Tube Works (STZ)	586.9	587.1	8.7	-6.7
United Metallurgical Company (OMK)	957.1	978.5	16.2	2.2
Vyksunsky Metallurgical Works (VMZ)	871.3	876.3	14.5	0.6
Almet'yevsky Pipe Plant (ATZ)	85.8	102.2	1.7	19.1
ChTPZ Group	816.6	746.9	12.4	-8.5
Chelyabinsky Pipe Rolling Plant (ChTPZ)	816.6	746.9	12.4	-8.5
Pervouralsky Pipe Plant (PNTZ)	668.1	674.3	11.2	0.9
Small plants	1221.5	1157.8	19.1	-5.2
Total Russian production:	6123.4	6047.4	100.0	-1.2



OPERATIONAL REVIEW

OPERATIONAL REVIEW

KEY EVENTS

2004

Record financial results achieved. Revenues rose to 53.6 billion Rubles; profit after tax was 664 million Rubles.

Pipe production volume was 2.5 million tonnes.

Export sales increased by 40%.

TMK and SMS Demag (Germany) signed a contract for 45 million Euros on delivery of billet continuous casting machines (BCCM) to three plants — Taganrog Metallurgical Works (Tagmet), Seversky Tube Works (STZ) and Volzhsky Pipe Plant (VTZ).

Volzhsky Pipe Plant became a certified pipe supplier for Shell projects.

Sinarsky Pipe Works, a part of TMK, was a winner in the eighth 'Best Russian Enterprises' awards in the category 'Dynamic and Effective Development'.

In 2004, TMK and Lone Star Steel Company signed an agreement under which Lone Star became the exclusive distributor of TMK pipes for the oil and gas sector in North America.

2005

TMK became an Open Joint Stock Company.

TMK signed an agreement with TNK-BP on commercial and technical cooperation with a value of over \$ 500 million.

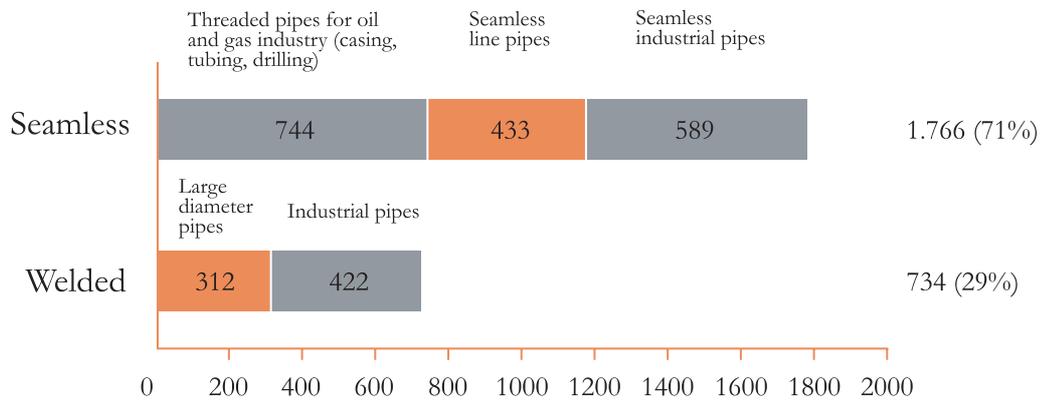
TMK and MMK signed a strategic cooperation agreement for 2005—2008.

TMK became a member of the International Iron and Steel Institute.

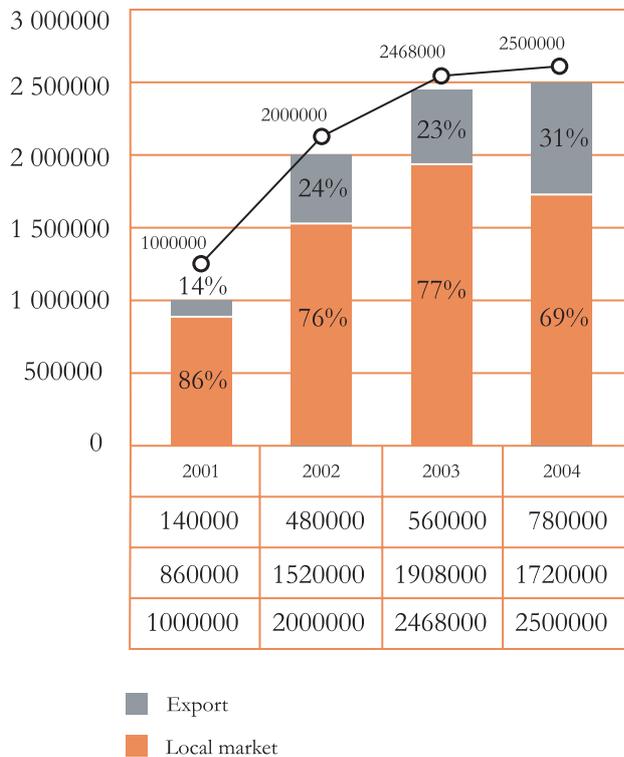
OPERATIONAL REVIEW

The volume of steel pipes manufactured and sold by TMK in 2004 reached about 2.5 million tonnes. TMK customers include companies developing oil and gas fields, transporting hydrocarbons, petrochemicals and oil refining enterprises, as well as machine construction, automobile and construction companies.

TMK DELIVERIES IN 2004 BY TYPES OF PIPE PRODUCTS (THOUSAND TONNES)



TMK EXPORT AND LOCAL SUPPLIES DYNAMICS



OPERATIONAL REVIEW

LOCAL MARKET DELIVERIES

Despite difficult market situation in 2004 and overall decrease in production in the Russian pipe industry, TMK increased production volumes. In 2004 TMK produced 2.5 million tonnes of pipes, or 1.28% more than in 2003 (2.468 million tonnes), in line with the trends in the industry as a whole.

One of the most important reasons for TMK's production growth was large scale modernization of production facilities. It enabled the company not only to increase the quality of production, but also to match its product range to market demands, and to compete effectively in market segments previously dominated by other international manufacturers.

In 2004, the company continued regular deliveries of 1420 mm pipes for Gazprom. The introduction of new facilities for tubing pipe production at Sinarsky Pipe Works in 2002 allowed TMK to cover local market demands almost completely. A number of technical measures taken at Tagmet have created the possibility of producing casing pipes of the highest durability, with tight threaded connections, comparable to the highest standards on global markets.

EXPORT DELIVERIES

The growth of pipe exports has been an important indicator of higher technical standards in production. The share of exports in total production has grown from 23% to 31%. Thus, along with the general decrease of demand on the local market, the company managed to maintain, and in some cases, improve its operational results in 2004. Company export volumes in 2004 reached 780 000 tonnes, or 39.3% more than in 2003. In exports, TMK dominates in a number of pipe categories. The company accounts for:

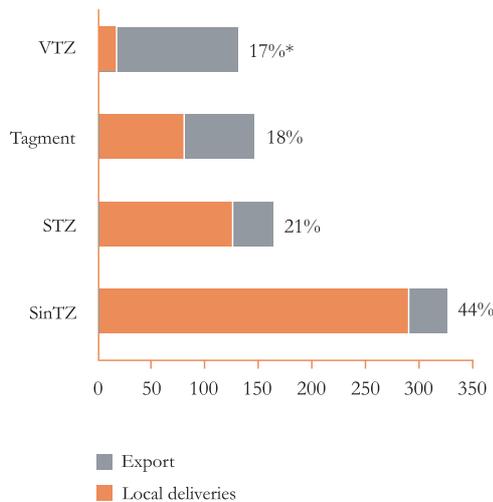
- 8% of Russian steel pipe export;
- 72% of Russian seamless pipe export;
- 85% of Russian threaded OCTG pipes according to API standard;
- 97% of Russian seamless line pipes according to API standard.

OPERATIONAL REVIEW

REVIEW BY PIPE TYPES

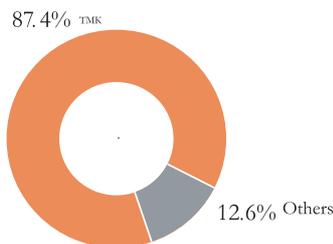
Seamless OCTG pipes are the largest TMK product type by volume. In 2004, 744 000 tonnes of these products were sold; approximately two thirds were delivered to Russian customers, one third was exported. TMK has facilities to produce drill, casing and tubing pipes.

DELIVERIES OF SEAMLESS THREADED PIPES BY TMK PLANTS IN 2004 (THOUSAND TONNES)

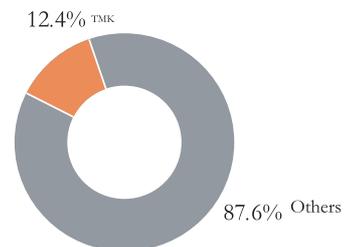


* Share in total TMK deliveries

TMK SHARE IN RUSSIAN SEAMLESS OCTG PRODUCTION



TMK SHARE IN WORLD SEAMLESS OCTG PRODUCTION

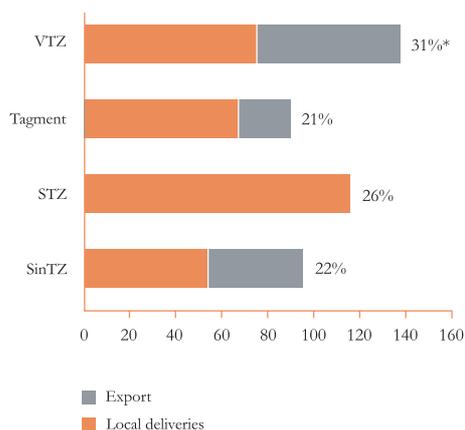


Sinarsky Pipe Works is the leading seamless OCTG supplier in TMK, providing 44% of all company deliveries in this category. Due to its favorable location — in the immediate proximity of primary Russian oil and gas fields — Sinarsky and Seversky Tube Works are oriented at the local market, while Volzhsky Pipe Plant manufactures products for export.

OPERATIONAL REVIEW

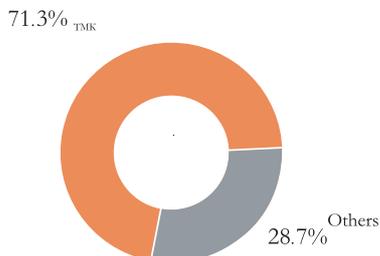
In the *seamless line pipe segment* TMK also holds leading positions in Russia. In 2004, TMK sold around 433 000 tonnes of seamless line pipes; about 80% of which were delivered to Russian customers (315 000 tonnes), and the rest were exported.

DELIVERIES OF SEAMLESS LINE PIPES BY TMK PLANTS IN 2004 (THOUSAND TONNES)

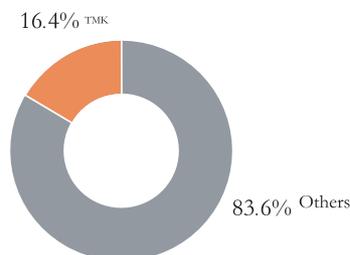


* Share in total TMK deliveries

TMK SHARE IN RUSSIAN SEAMLESS LINE PIPE PRODUCTION



TMK SHARE IN WORLD SEAMLESS LINE PIPE PRODUCTION



All four TMK plants produce seamless line pipes both for the local market and for export.

- *TMK is the world leader in the production of seamless pipes for the oil and gas sector.*
- *The largest supplier of seamless threaded and line pipes for the gas and oil industry in the CIS, the Caspian region, the Middle East and North Africa.*
- *TMK is the leading supplier for the world oil and gas industry, having achieved this status due to low-cost manufacturing of quality high-tech pipe products and its global network of strategically located distributors, service centers and facilities for threading and finishing.*
- *TMK has a common channel for the supply of all seamless pipe product ranges, innovative solutions and qualified services for complex delivery system management for suppliers in the oil and gas sector.*

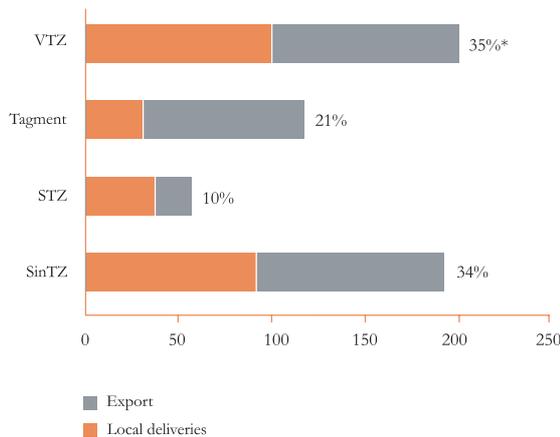
By offering a full quality product range, innovative solutions and qualified services with high added value, TMK plans to become one of the leading suppliers for the world oil and gas industry.

OPERATIONAL REVIEW

SEAMLESS INDUSTRIAL PIPES

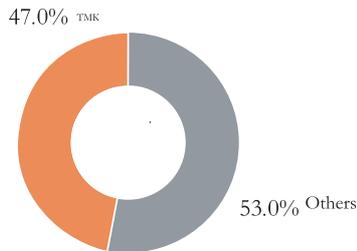
TMK has a significant, but not dominant, share of the Russian seamless industrial pipe market. In 2004, TMK sold around 590 000 tonnes of seamless industrial pipes, of which 263 000 tonnes were delivered to Russian customers, and the rest exported.

DELIVERIES OF SEAMLESS INDUSTRIAL PIPES BY TMK PLANTS IN 2004 (THOUSAND TONNES)

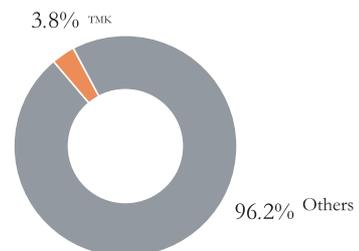


* Share in total TMK deliveries

TMK SHARE IN RUSSIAN SEAMLESS INDUSTRIAL PIPE PRODUCTION



TMK SHARE IN WORLD SEAMLESS INDUSTRIAL PIPE PRODUCTION



On the local seamless pipe market TMK has chosen to focus on the provision of specialty tubes such as bearing, petrochemical and boiler, which provide higher margins.

- *TMK: a strong player in the European seamless industrial pipe market*
- *TMK: a supplier of low-cost quality seamless industrial pipes for CIS and European markets*

TMK is the largest Russian exporter of industrial seamless pipes and intends to develop export sales by increasing delivery volumes of high-tech pipes.

OPERATIONAL REVIEW

WELDED LARGE DIAMETER TRANSMISSION PIPES

In 2004, TMK produced over 312 000 tonnes of large diameter pipes, including 139 000 tonnes of 1420 mm pipes and 173 000 tonnes of 530–1220 mm pipes.

Volzhsky Pipe Plant produces welded large diameter pipes. TMK is the only company in the world using tunnel furnace heat treatment of large diameter pipes to improve their mechanical qualities. External polyethylene corrosion-resistant coating is applied on large diameter pipes.

Actively developing cooperation with OJSC Gazprom, TMK became the first Russian manufacturer of thick-walled 1420 mm pipes for high-pressure pipelines and is currently the primary supplier for the world's largest gas company.

TMK SHARE IN RUSSIAN LARGE DIAMETER PIPE PRODUCTION



- *TMK was the first company in Russia to manufacture 1420 mm pipes for Gazprom pipeline networks.*
- *TMK regularly participates in oil & gas pipeline projects in Russia, CIS countries including Caspian region and worldwide.*
- *TMK conducts long-term cooperation with coil and flat products manufacturers, providing high quality pipes.*

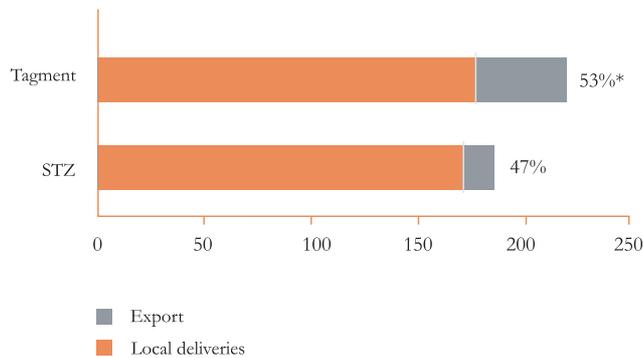
TMK plans to hold its current positions in this market segment due to implementation of a large-scale modernization program for 1420 mm pipe production, and development of cooperation with OJSC MMK, OJSC Severstal, OJSC NLMK, OJSC Azovstal, OJSC Mariupol Ilyich Metallurgical Works and Voest Alpine in the production of coil and flat products.

OPERATIONAL REVIEW

WELDED PIPES FOR INFRASTRUCTURE

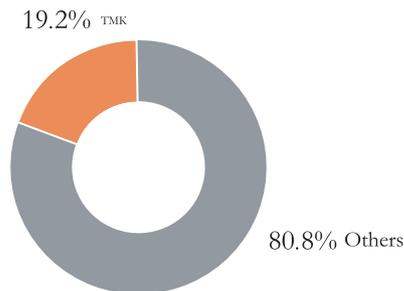
Welded industrial pipes are produced by OJSC Tagmet and OJSC Seversky Tube Works.

DELIVERIES OF WELDED INDUSTRIAL PIPES BY TMK PLANTS IN 2004 (THOUSAND TONNES)



* Share in total TMK deliveries

TMK SHARE IN RUSSIAN WELDED INDUSTRIAL PIPE PRODUCTION



In the current situation of high competition between manufacturers of this product type and the lack of housing and utilities infrastructure, where these pipes are mostly used, TMK will maintain certain level of production for this product without committing significant new resources.

NEW PRODUCT TYPES

TMK is constantly developing outstanding new pipe products to fully cater to customer requirements, expand sales markets and product range, and increase production volumes.

New product implementation programmes are conducted at all TMK plants, taking into account the specializations of each plant, as well as their positioning relative to key markets. An important aspect of this work is the implementation of production synergies between the plants, allowing maximum use of their technical potential. In 2004, plants of the company introduced 96 new product types and shipped 78 000 tonnes of new pipe types.

Volzhsky Pipe Plant. The Volzhsky Plant focuses on the production of welded thick-walled 1420 mm pipes according to new OJSC Gazprom technical requirements; the production of pipes according to new OJSC AK Transneft technical requirements, the production of 406.4 mm casing pipes according to API 5CT standard, the production of boiler pipes with wall thickness over 30 mm and the expansion of the pipe product range for power engineering from its own steel billet.

Taganrog Metallurgical Works. Taganrog focuses on the production of seamless hot-formed pipes with increased reliability, corrosion and cold resistance, the production of self-developed

OPERATIONAL REVIEW

casing pipes with tight threaded connections and increased durability and the expansion of profiled welded pipe range.

Seversky Tube Works. As in Taganrog, Seversky focuses on the production of seamless hot-formed pipes with increased reliability, corrosion and cold resistance, but also hot-formed oil and gas pipes with increased reliability from self-produced steel of new types, in-house developed casing pipes with Premium connections and the production of components for cars.

Sinarsky Pipe Works. Sinarsky focuses on the production of drill, tubing and casing pipes of increased durability groups according to Russian and international standards, long pipes for thermal engineering, self-developed threaded pipes with tight threaded connections and the expansion of the pipe product range for machine construction in cooperation with VTZ.

SALES NETWORK

TRADE HOUSE TMK

Up to 70% of TMK's total production is sold on the domestic market.

All TMK sales in Russia and CIS are handled by Trade House TMK, the largest supplier of pipe products in Russia. Trade House TMK has more than 5 000 regular customers. Since 2004 a subsidiary of Trade House TMK, OJSC TMK Warehouse Complex, provides sales of TMK products in Moscow and the surrounding regions.

Thus, a common sales policy provides competitive advantages for each TMK plant in the most effective way, while delivery logistics management provides lower costs of pipe delivery to the end customer by using the most appropriate plant.

SINARA TRADING AG

The high rate of export growth requires integrated management of all export operations of the company. This function is provided by SINARA Trading AG, which has trade representatives and its own network of qualified agents and distributors in Europe, North America, Middle East and South East Asia.

TMK expands its commercial operations through strategic partnerships (for example, its agreement with Lone Star at the US market). In 2004, TMK Sinara North America, a subsidiary of SINARA Trading AG situated in Houston, started operations. Cooperation with raw materials suppliers and commercial partners in Germany, Italy, Romania and other countries has reached new levels. Trade House TMK has offices in Azerbaijan, Kazakhstan and China. In the nearest future, the company plans to open representative offices and organize sales from stock yards in Middle East and South East Asia.



FINANCIAL RESULTS

FINANCIAL RESULTS

OJSC TMK IFRS FINANCIAL RESULTS FOR 2004 AND THE FIRST HALF OF 2005

Authenticity of financial information provided in the consolidated financial results of the company for 2004 is audited by Ernst & Young Vnesbaudit international consulting company.

2004 delivered record results with the consolidated 2004 results reflecting the strong performance of TMK, with revenues increasing by 34.5% to RUR 53.6 billion.

Strong sales growth in 2004 was especially apparent in the international and seamless pipe sectors of the company's operations. Sales of seamless pipes increased by 38.2%, reflecting strong demand globally and in the key Russian market, supported by historically high oil prices.

(000 RUR)

YEAR ENDED DECEMBER 31, 2004	Welded pipes	Seamless pipes	Other operations	TOTAL
NET SALES	14 558 132	35 504 280	3 555 200	53 617 612
% total sales	27.2	66.2	6.6	
GROSS PROFIT	891 242	8 648 039	37 578	9 576 859
Gross Margin	6.1	24.4	1.1	

(000 RUR)

YEAR ENDED DECEMBER 31, 2003	Welded pipes	Seamless pipes	Other operations	TOTAL
NET SALES	11 342 269	25 682 696	2 838 769	39 863 734
% total sales	28.5	64.4	7.1	
GROSS PROFIT	642 692	3 337 939	85 681	4 066 312
Gross Margin	5.7	13.0	3.0	

Sales outside Russia increased by 74.8% as a result of TMK's increased presence in global markets. The proportion of the company's net sales outside Russia to the company's total sales rose from 17.9% to 23.3%. While export sales in volume terms increased by 39.3% to 780 000 tonnes, product range and quality enhancements have led to a significant increase in earnings from international markets. In addition, the consolidation of Taganrog Metallurgical Plant's export sales of pipes during the period from March to December 2004 (not included in 2003 and January–February 2004) contributed further to the TMK's sales performance during 2004.

Within Russia, TMK continues to dominate key segments of the pipe market, with production capacity of approximately 3.7 million tonnes of pipes. TMK's plants account for 82% of Russian capacity of seamless pipe production for the oil and gas industry.

FINANCIAL RESULTS

('000 RUR)

YEAR ENDED DECEMBER 31, 2004	Russia	Other countries	TOTAL
NET SALES	41 117 221	12 500 391	53 617 612
% total sales	76.7	23.3	
GROSS PROFIT	8 253 787	1 323 072	9 576 859
Gross Margin	20.1	10.6	

('000 RUR)

YEAR ENDED DECEMBER 31, 2003	Russia	Other countries	TOTAL
NET SALES	32 713 790	7 149 944	39 863 734
% total sales	82.1	17.9	
GROSS PROFIT	3 685 577	380 735	4 066 312
Gross Margin	11.3	5.3	

The trends of 2004 have continued through the first half of 2005 with consolidated sales in 1H 2005 reaching RUR 36.3 billion, up 47.5% compared to the same period of 2004, confirming TMK's strong growth. Favourable global market conditions and continued efficiency gains resulted in an EBITDA¹ margin improvement of 18.3% vs 11.0% in 1H 2004.

Increased costs of sales in 2004 due to raw material price increases were offset by positive price trends — sales prices increased by 25.3%.

In 2004, TMK's gross profit showed a 135.5% increase as compared to 2003 and reached RUR 9.6 billion with a significant improvement in gross profit margin, as a percentage of net sales from 10.2% in 2003 to 17.9% in 2004 and reached 25.0% in 1H 2005.

Anticipating increased global demand for seamless products, in the recent years TMK has implemented a major technical overhaul of its production facilities with the introduction of modern technologies. Total investment in 2004 was RUR 1.8 billion, compared to RUR 1.5 billion in 2003.

¹ EBITDA is defined by the Company as Operating profit plus depreciation and amortization. EBITDA margin was calculated as a percentage of EBITDA to Net sales. EBITDA is not a measure of financial performance under IFRS, and it should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. TMK's calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

FINANCIAL RESULTS

EBITDA reconciliation ('000 RUR)

	2004	2003	%	1H 2005 (unaudited)	1H 2004	%
Operating profit	3 764 709	92 773		5 339 748	1 372 361	
Add: depreciation and amortization	2 680 881	1 855 289		1 319 967	1 349 322	
EBITDA	6 445 590	1 948 062	230.9%	6 659 715	2 721 683	144.7%
EBITDA margin	12.0%	4.9%		18.3%	11.0%	

EBITDA including Sinara Trading AG
(as per unaudited management accounts)

7 175 117 n/a

The largest portion of new investment has been designated for modernization of production facilities with aim to improve quality of pipes as well as for to increase production capacities. TMK has also commenced installation of a new billet continuous casting machine at Volzhsky Pipe Plant. Together these investments are part of the company's strategy of vertical integration aimed at reducing its need for external supplies of steel. The total production of steel by TMK's plants in 2004 was 1 865 000 tonnes. TMK now meets around 80% of its steel billet needs internally, as part of the integrated process for seamless pipes

Operating profit in 2004 totalled RUR 3.8 billion, which is a significant increase on RUR 0.1 billion achieved in 2003, mainly due to increases in pipes prices and cost control measures. TMK's operating margins, as a percentage of operating profit to net sales, showed a strong increase year on year, reaching 7.0% in 2004, compared to 0.2% in 2003. This trend continued in 1H 2005 delivering an operating profit of RUR 5.3 billion and a growing operating margin of 14.7%.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

2004 was the year of large scale structural reforms and changes in corporate governance for TMK. The company had purchased controlling stocks of all four plants and became the sole executive body for each plant. Currently management of the TMK plants is conducted on a centralized basis. TMK takes major strategic and investment decisions, provides production planning, financial resource management, technology evaluation and control. Acting as a corporate center, TMK develops and approves methods, regulations and other organizational and normative documents on management activity, effective for the whole company.

To provide maximum conformity to modern world standards, firmly distinguish management and owner functions, increase efficiency and transparency of procedures and decision-making processes, TMK was transformed into an Open Joint Stock Company in 2005. Changes in structure and composition of the Board of Directors and its committees were made; independent directors were introduced to the Board of Directors. Thus, better protection of the interests of minority shareholders and investors was provided, and independence of the main company management body was increased.

TMK corporate governance is carried out via planning, resource distribution and analysis, external and internal audit, and risk management. To achieve maximum results and avoid functional doubling, these areas are distributed among the bodies of corporate governance.

Board of Directors. The Board of Directors ensures the fulfillment of decisions taken during General Shareholder Meetings, defines operational directions and priority fields of the company development, provides realization and protection of shareholder rights, facilitates the solution of corporate conflicts, evaluates political, financial and other risks influencing the company activities, approves its plans and budgets, determines investment principles and participation in other organizations.

The Board of Directors also evaluates operational results of the company and its management bodies, recommends amount of dividends and order of their payment, determines criteria of management compensation, develops systems and methods for employee motivation and rewards.

The Board of Directors ensures effective operation of the company management bodies and supervises their functioning, effective control over financial and operational activity, conformity to current legislation and corporate governance principles, as well as disclosure of the company information.

CORPORATE GOVERNANCE

Management Board. The Management Board deals with all issues of current company management except those within the competence of the General Meeting, Board of Directors or General Director. Along with the General Director, the Management Board organizes effective operational management of current activities and fulfillment of decisions taken by the General Meeting or the Board of Directors, develops and implements current operational policy on the main fields of activity: marketing and sales, production, investment and operational activity, economics and finance, personnel and social programs.

The Management Board approves and controls quarterly production and delivery programs, quarterly income and expense budgets, as well as budgets of subsidiary trade companies.

The Management Board develops and approves production programs of structural units, develops and implements common strategy of subsidiary development, coordinates their activity, provides analysis of their operational results, develops recommendations on improvements of the activity of subsidiaries and the company in general.

The Management Board regularly informs the Board of Directors about the financial condition of the company, the implementation of priority programs, decisions that can significantly influence the situation, and provides necessary funding and organizational and technical support for the functioning of the General Meeting, Board of Directors and Audit Committee.

In June 2005, during the transformation of TMK to an Open Joint Stock Company, to ensure maximum conformity of the TMK corporate structure to modern world standards, a new Board of Directors was elected. Its members are: Petr D. Galycin, Andrey Yu. Kaplunov, Adrian Kobb, Joseph Morou, Sergey T. Papin, Dmitry A. Pumpyansky, Jeffrey Townsend, Igor B. Khmelevsky, Alexander G. Shiryayev, Muhadin A. Eskindarov. The Board of Directors had elected Dmitry A. Pumpyansky as TMK Chairman of the Board, Konstantin A. Semerikov as TMK General Director, M. V. Kurbatov as Corporate Secretary of the Board of Directors.

CORPORATE GOVERNANCE

INFORMATION ON THE MEMBERS OF OJSC TMK BOARD OF DIRECTORS

Petr D. Galycin

Education: higher, Massachusetts Institute of Technology, New York University, MBA

Positions held during the last 5 years:

2005 – present

Managing Director, BASF, Moscow, Russia/CIS

2002 – present

Director of Denmark office, Jysk Staalindustri ApS, Copenhagen

2002 – present

Director, Stinol AG, Lugano, Switzerland

2001 – present

Director, ICMC S. A., Luxembourg

2001 – 2004

Director, Galitzine Consulting Ltd, Moscow, Russia

1993 – 2001

Director of Representative Office, Mannesmann AG, Moscow, Russia

Andrey Yu. Kaplunov

Education: higher, Moscow Financial Institute, Candidate of Economical Sciences

Positions held during the last 5 years:

2005 – present

Vice President, CJSC Sinara Group, Yekaterinburg

2001 – 2005

Deputy General Director, Organizational Development, CJSC TMK

2000 – 2001

Director, Department of Organizational Development and Personnel, AKB Rosbank

1999 – 2000

Adrian Kobb

Education: higher, Darrem University, UK 1975 - Institute of Certified Accountants of England and Wales

Positions held during the last 5 years:

2005 – present

Member of Board of Directors and Audit Committee, OJSC TMK

2002 – 2004

Senior Financial Adviser, Shell Exploration and Production Services. B.V

2002

Budget and Planning Director, TNK, Moscow, Russia

1997 – 2002

Financial Director, Caspian Pipeline Consortium, Moscow, Russia, Kazakhstan

CORPORATE GOVERNANCE

Joseph Morou

Education: higher, Goethe University, Frankfurt, Germany

Positions held during the last 5 years:

2005 – present

Chairman of the Automobile Components Committee, European Business Association in Russia

2004 – present

Member of the Board of Directors, OJSC Thyssen Krupp Materials

2002 – present

Member of the Board of Directors, OJSC Thyssen Krupp Elevator

1999 – present

Head of the Representative Office in Russia, Thyssen Krupp AG

Sergey T. Papin

Education: higher, Donetsk Polytechnic Institute

Positions held during the last 5 years:

2005 – present

Vice President, CJSC Sinara Group, Yekaterinburg

2002 – 2005

Deputy General Director, External Relations and Special Projects, CJSC TMK, Moscow

2000 – 2002

Vice President, Director of Department of Interaction with Authorities, Advertising and Public Relations, CJSC KB GUTA BANK, Moscow

1996 – 2000

Head of Expert and Analytic Council, Vice President, Member of the Board, OJSC AB Incombank, Moscow

Dmitry A. Pumpyansky

Education: higher, Ural State Technical University, Candidate of Technical Sciences

Positions held during the last 5 years:

2005 – present

President, CJSC Sinara Group, Yekaterinburg

2001 – 2005

General Director, CJSC TMK (OJSC TMK)

2001 – 2002

Chairman of the Board, OJSC Sinarsky Pipe Works

Jeffrey Townsend

Education: higher, St. Catherine's College, Oxford (MA)

Positions held during the last 5 years:

2004 – present

Independent consultant, work with KPMG on TASIS project

1990 – 2002

KPMG partner, Deutsche Treuhand-Gesellschaft

CORPORATE GOVERNANCE

Igor B. Khmelevsky

Education: higher, Sverdlovsk Legal Institute, Shadrin State Pedagogical Institute

Positions held during the last 5 years:

2005 – present

Vice President, CJSC Sinara Group

2003 – 2005

Deputy General Director, Legal Work, CJSC TMK, Moscow

2001 – 2003

Head of Legal Issues Department, CJSC Sinara, Yekaterinburg

1999 – 2001

Deputy General Director, Legal Work, Head of Legal Department, OJSC Zlatoustovsky Metallurgical Works, Zlatoust

Alexander G. Shirayev

Education: higher, Sverdlovsk National Economy Institute

Positions held during the last 5 years:

2005 – present

Vice President, CJSC Sinara Group

2001 – 2005

Deputy General Director, Finance and Economics, CJSC TMK (OJSC TMK)

2001 – 2002

Deputy General Director on Development, CJSC Sinara Group

2001

Deputy General Director, Strategic Development, CJSC Sinarsky Pipe Works Trading Company

1998 – 2000

Deputy General Director, General Director, OJSC Uralshina

Muhadin A. Eskindarov

Education: higher, Moscow Financial Institute, Doctor of Economical Sciences, professor

Positions held during the last 5 years:

2002 – present

First Pro-rector, Russian Government Financial Academy, Moscow

1992 – 2002

Pro-rector of studies, first pro-rector of studies, Russian Government Financial Academy, Moscow

CORPORATE GOVERNANCE

GENERAL DIRECTOR

Konstantin A. Semerikov

Education: higher, Moscow Steel and Alloys Institute

Positions held during the last 5 years:

2004 – 2005

CEO, OJSC TMK

2004 – 2005

General Director, CJSC TMK Trading Company

2003 – 2004

Deputy General Director, Production, CJSC TMK

2003 – 2003

Deputy General Engineer, CJSC TMK

2002 – 2003

Mayor of Taganrog

2000 – 2002

Production Director, Member of the Board, OJSC Taganrog Metallurgical Works

MANAGEMENT BOARD

Konstantin A. Semerikov – Chairman of the Board

Anatoly I. Brizhan – General Manager, OJSC Sinarsky Pipe Works

Education: higher, Ural Polytechnic Institute

Positions held during the last 5 years:

2004 – 2005

Chairman of the Board, CJSC TMK

1993 – 2003

General Director, OJSC Sinarsky Pipe Works

Alexey S. Degay – General Manager, OJSC Seversky Tube Works

Education: higher, Ural Polytechnic Institute

Positions held during the last 5 years:

1997 – 2004

General Director, OJSC Seversky Tube Works

CORPORATE GOVERNANCE

Alexander G. Lyalkov — General Manager, OJSC Volzhsky Pipe Plant

Education: higher, Volgograd Polytechnic Institute

Positions held during the last 5 years:

2002 — 2003

General Director, OJSC Volzhsky Pipe Plant

2001 — 2002

First Deputy General Director, Production Director, OJSC Volzhsky Pipe Plant

1998 — 2001

Deputy General Director, Production, OJSC PO Volzhsky Pipe Plant

Nikolay I. Fartushny — General Manager, OJSC Taganrog Metallurgical Works

Education: higher, Dneprodzerzhinsky Industrial Institute

Positions held during the last 5 years:

2003 — 2003

General Director, OJSC Tagmet

1997 — 2003

Technical Director, Deputy General Director, OJSC Tagmet

Sergey I. Agafonov — Deputy Director General for Procurement, OJSC TMK

Education: higher, Sverdlovsk Mountain Institute

Positions held during the last 5 years:

2004 — 2005

Director for Procurement, CJSC TMK Trading Company

2002 — 2004

Deputy Director on Cooperation with Fuel and Energy Industry Companies,
CJSC TMK Trading Company

2002 — 2002

General Director, Director of Finance and Economics,
CJSC Kuznetsky Ferrosplav Trading Company

2001 — 2002

General Director, CJSC TMK Trading Company

2000 — 2001

Commercial Director, General Director, CJSC Volzhsky Pipe Plant Trading Company

CORPORATE GOVERNANCE

Sergey I. Bilan — Deputy Director General for Marketing, OJSC TMK

Education: higher, Rostov Institute of Railroad Engineers,
Budget and Finance Academy of Russian Federation Ministry of Finance

Positions held during the last 5 years:

2004 — present

Deputy General Director, CJSC TMK Trading Company

2003 — 2005

Deputy General Director, Marketing Director, CJSC TMK

2002 — 2003

Deputy General Director for Marketing, CJSC TMK

2001 — 2002

Head of Procurement Marketing Department, Head of Regional
and CIS Marketing Department, CJSC TMK

Oleg V. Borisov — Deputy Director General for Security — Head of Economic Security Service,
OJSC TMK

Education: higher, Sverdlovsk Higher Military and Political Tank and Artillery Academy

Positions held during the last 5 years:

2003 — 2005

Deputy Director General for Security — Head of Economic Security Service, CJSC TMK

2001 — 2003

Head of Security Service, CJSC Sinara Group

1995 — 2001

Head of Security Department, Member of the Board, AKB SKB Bank

Leonid G. Marchenko — Deputy Director General, Chief Engineer, OJSC TMK

Education: higher, Ural Polytechnic Institute

Positions held during the last 5 years:

2003 — 2005

Deputy General Director, Chief Engineer, CJSC TMK

2002 — 2002

First Deputy General Director, Chief Engineer, OJSC Sinarsky Pipe Works

Vladimir B. Oborsky — General Director, CJSC Trade House TMK

Education: higher Kiev Frunze Higher Combined Arms Command Academy,
Frunze Military Academy

Positions held during the last 5 years:

2003 — 2005

Director of Department of Cooperation with OJSC Gazprom,
Independent Gas Suppliers and AK Transneft, CJSC Trade House TMK

2001 — 2003

Head of Department of Cooperation with AK Transneft and Gas Industry
Companies CJSC Trade House TMK

CORPORATE GOVERNANCE

Natalia B. Khonina — Chief Accountant, OJSC TMK

Education: higher, Ural State University

Positions held during the last 5 years:

2003 — 2005

Chief Accountant, CJSC TMK

2003 — 2003

Chief Accountant, Accounting Director, CJSC TMK

2001 — 2003

Chief Accountant, CJSC Sinara Group

1999 — 2001

Chief Accountant, CJSC Sinarsky Pipe Works Trading Company

Vladimir V. Shmatovich — Deputy Director General for Finance and Economy, OJSC TMK

Education: higher, Moscow Financial Institute

Positions held during the last 5 years:

2003 — 2005

Deputy General Director, Financial and Economic Director, OJSC RusPromAuto

2003 — 2003

Manager of Udmurtia Business Unit, Exploration and Development Business Direction,
OJSC TNK-BP

2002 — 2003

Financial Control Director in Financial Block, OJSC Sidanko

2002 — 2002

Deputy Director General for Finance and Economy, OJSC Udmurtneft

1996 — 2002

Deputy Director General for Financial Management, OJSC Interros



SOCIAL RESPONSIBILITY



SOCIAL RESPONSIBILITY

TMK's social policy is aimed, first of all, at the provision of social security for TMK employees and their families, and the creation of conditions for the comprehensive development of company employees. TMK is an industrial company and its plants employ around 46 000 people. Plants of the holding operate in Sverdlovsk, Volgograd and Rostov region and are mainstays of the local economy.

TMK social policy today has several priorities and is based on the following principles:

- major attention to employees health and creation of safe working conditions;
- responsibility during the restructuring process;
- support to infrastructure development in the regions of TMK plants' activity;
- increase in the quality of social partnership;
- creation of new social programs and implementation of approved ones;
- development of the corporate pension program;
- promotion of sports and healthy lifestyle.

An important part of TMK's social policy is an active participation in the realization of regional and federal charity and social programs. TMK provides approximately \$10 million annually for charity and social purposes.

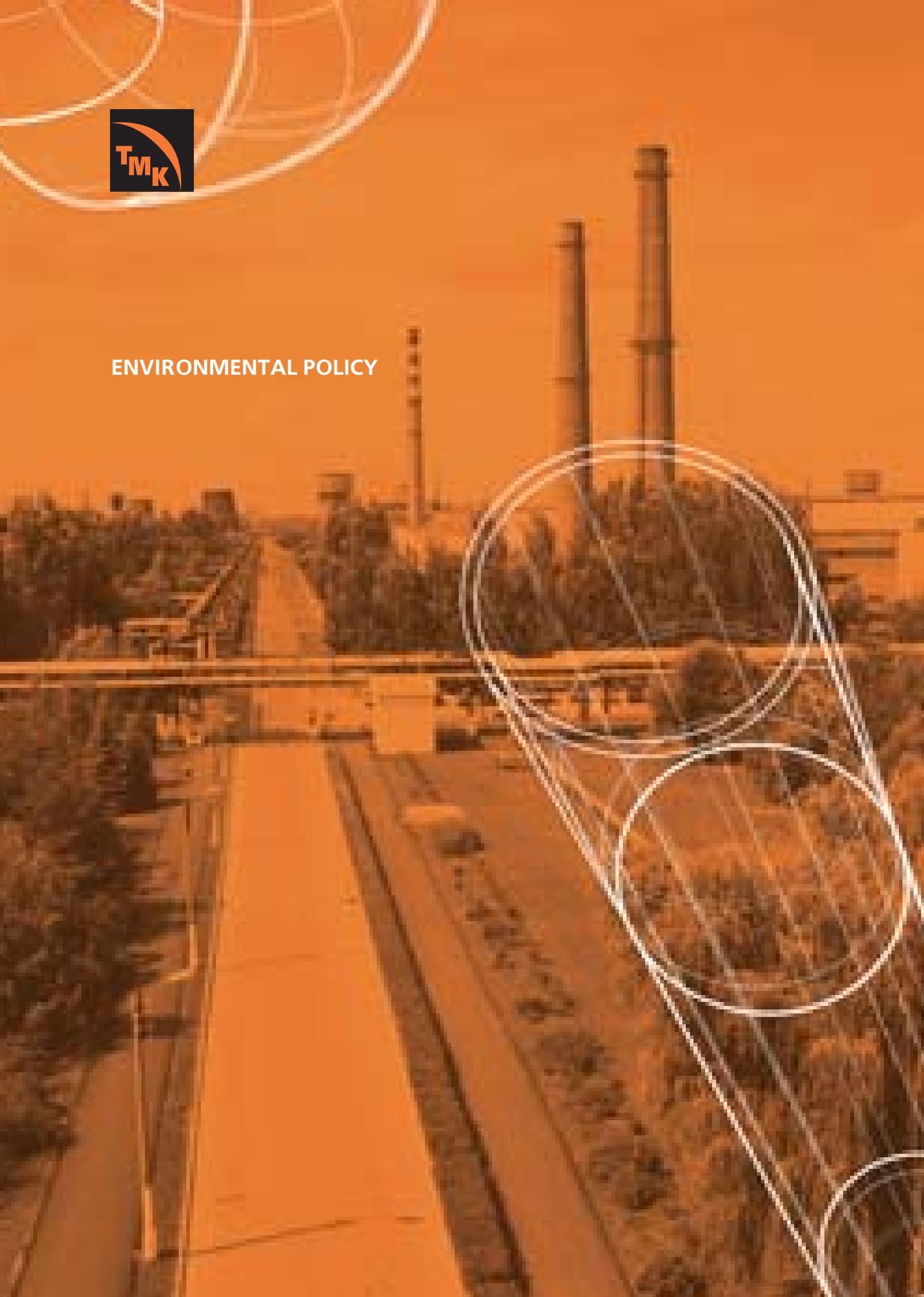
In 2004, TMK continued to provide financial support for schools, kindergartens, cultural and sports facilities. TMK also participates in professional development programs for young people and provides material assistance for labor veterans.

In 2004, the company devoted significant attention to the provision of full recreational activities for its employees, funding trips to country resorts. Thanks to the implementation of a voluntary medical insurance program, TMK employees benefit from qualified medical services. Work on the corporate pension program also continued.

In 2004, TMK developed a housing program for employees and mortgage credit lending.



ENVIRONMENTAL POLICY



ENVIRONMENTAL POLICY

The company strives to ensure that the activity of all its plants conforms to world standards and environmental legislation. The primary goal of the company in this respect is to make environmental protection an integral part of its business.

All company plants feature production processes characteristic of the sector, and implement a common strategy for resolving environmental problems. However, each plant operates in different geographical conditions, requiring individual solutions for the impact of industrial processes on the environment.

Systematic work on specific tasks aimed at continuous improvement of the environmental management system and reduction of environmental impact enabled significant results that were achieved in 2004. First of all, this was accomplished using methods and means already present, without extra costs. The most characteristic feature of TMK's environmental policy is its integration in innovatory programs, which allows the introduction of modern equipment by using the newest resource- and energy-saving technologies.

The company's plants have implemented and constantly upgraded the integrated environmental management system that complies with ISO 14001 international standards, allowing targeted work to prevent pollution.

In 2004 the company allocated 138.5 million Rubles (\$5 million) for labor protection and safety measures, as well as environmental protection.

COSTS OF ENVIRONMENTAL MEASURES, INDUSTRIAL SAFETY AND LABOR PROTECTION TESTS IN 2004

Volzhsky Pipe Plant	36.6 million Rubles
Seversky Tube Works	36.1 million Rubles
Sinarsky Pipe Works	31.8 million Rubles
Taganrog Metallurgical Works	34.0 million Rubles



APPENDIXES

FINANCIAL RESULTS

CONSOLIDATED STATEMENTS OF OPERATIONS (AUDITED)

(All amounts in thousands of Russian Rubles)

	Year ended December 31, 2004	Year ended December 31, 2003
Net sales	53 617 612	39 863 734
Cost of sales	(44 040 753)	(35 797 422)
Gross profit	9 576 859	4 066 312
Selling expenses	(2 659 206)	(1 701 175)
Advertising & promotion expenses	(47 070)	(35 619)
General & administrative expenses	(2 410 647)	(1 862 515)
Research & development expenses	(99 349)	(51 342)
Other operating expenses	(686 711)	(340 980)
Other operating income	83 207	24 360
Foreign exchange gain (loss)	7 626	(6 268)
Operating profit	3 764 709	92 773
Interest expense	(2 693 263)	(970 405)
Financial income	31 059	252 770
Profit (loss) before income tax	1 102 505	(624 862)
Income tax expense	(438 050)	(71 501)
Net profit (loss)	664 455	(696 363)
Attributable to:		
Equity holders of the parent entity	606 583	(663 453)
Minority interests	57 872	(32 910)
Earnings / (losses) per share attributable to equity holders of the parent entity – basic and diluted (in Russian Rubles)	0.005	(663 453)

FINANCIAL RESULTS

	December 31, 2004		December 31, 2003		December 31, 2002	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	76 178		175 577		166 441	
Short-term investments	389 620		734 883		1 630 129	
Accounts receivable	3 827 124		2 653 385		1 572 104	
Accounts receivable from related parties	1 556 450		826 485		525 920	
Inventories	9 328 244		6 078 008		3 093 957	
Prepayments and input VAT	4 573 853		2 356 965		1 366 029	
Prepayments to related parties	94 829	19 846 298	212 840	13 038 143	—	8 354 580
NON-CURRENT ASSETS						
Investments and other long-term receivables	546 370		109 145		39 188	
Long-term receivables from related parties	405 546		—		—	
Loans to related parties	—			348,869		—
Property, plant and equipment, net	39 396 648			33 051 442		33 495 625
Goodwill	1 070 119			68 734		68 734
Deferred income taxes	76 991			22 731		6 286
Intangible assets	269 982	41 765 656	7 240	33 608 161	21 802	33 631 635
TOTAL ASSETS	61 611 954		46 646 304			41 986 215

FINANCIAL RESULTS

CONSOLIDATED BALANCE SHEETS (AUDITED)

	December 31, 2004	December 31, 2003	December 31, 2002
LIABILITIES & SHAREHOLDERS EQUITY			
CURRENT LIABILITIES			
Accounts payable and advances from customers	4 746 780	1 112 410	2 735 996
Accounts payable to related parties	116 393	2 630 185	541 366
Accrued liabilities	2 297 781	998 071	577 713
Finance lease liabilities, current portion	105 091	149 854	172 745
Loans and borrowings	16 930 195	5 327 367	3 059 064
Loans and borrowings from related parties	279 817	1 234 035	131 344
Dividends	50 311	1 284	13 119
Advances from related parties	124 837	112 446	16 818
	24 651 205	11 565 652	7 248 165
NON-CURRENT LIABILITIES			
Loans and borrowings	3 249 019	2 263 585	1 087 833
Finance lease liabilities, net of current portion	28 811	21 142	109 747
Deferred income taxes	7 319 543	6 646 236	6 793 394
Post-employment benefit	307 682		279 094
Other liabilities	112 029	74 937	250 684
	11 017 084	9 284 994	8 316 208
TOTAL LIABILITIES	35 668 289	20 850 646	15 564 373
SHAREHOLDERS' EQUITY			
Parent shareholders' equity			
Issued capital	8 730 013	13	13
Accumulated profits	10 264 681	9 726 560	10 390 013
Reserve capital	68 462	—	—
Additional paid-in capital	5 071 468	11 688 077	11 617 898
	24 134 624	21 414 650	22 007 924
Minority interest	1 809 041	4 381 008	4 413 918
	25 943 665	25 795 658	26 421 842
TOTAL EQUITY AND LIABILITIES	61 611 954	46 646 304	41 986 215

FINANCIAL RESULTS

CONSOLIDATED CASH FLOW STATEMENTS (AUDITED)

(All amounts in thousands of Russian Roubles)

	Year ended December 31, 2004	Year ended December 31, 2003
Cash flows from operating activities		
Profit (loss) before income tax	1 102 505	(624 862)
Adjustments for:		
Depreciation	2 680 352	1 854 303
Amortization	529	986
Loss on disposal of property, plant and equipment	76 585	98 926
Gain on sale of investments	(16 811)	(239 432)
Foreign exchange (gain) loss	(7 626)	6 268
Interest expense	2 693 263	970 405
Interest income	(14 248)	(13 338)
Inventory adjustments	22 025	29 102
Bad debt expense	130 377	30 864
	6 666 951	2 113 222
Increase in inventories	(2 189 675)	(3 024 566)
Increase in accounts receivable	(1 215 613)	(631 961)
Increase in prepayments	(1 193 758)	(1 180 531)
Increase in accounts payable	1 421 540	743 279
Increase in accrued liabilities	549 272	459 256
Cash generated from (used in) operations	4 038 717	(1 521 301)
Income taxes paid	(630 390)	(284 866)
Net cash from / (used in) operating activities	3 408 327	(1 806 167)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 809 946)	(1 502 288)
Proceeds from sale of property, plant and equipment	26 565	709
Prepayments for increases in ownership interests in subsidiaries	(49 000)	—
Cash in subsidiary acquired via non-cash transaction	2 587	—
Loans granted	(2 390)	(359 039)
Interest received	14 248	2 299
Net cash used in investing activities	(1 817 936)	(1 858 319)
Cash flows from financing activities		
Proceeds from issue of share capital	8 730 000	—
Proceeds from borrowings	58 331 747	25 640 397
Repayment of borrowings	(48 569 225)	(20 948 262)
Payment under finance lease liabilities	(196 207)	(262 190)
Distributions to owners	(17 097 950)	—
Cash received from parent	—	70 179
Payments to entities under common control for the transfer of ownership interest in subsidiaries	(214 143)	—
Interest paid	(2 631 290)	(814 668)
Dividends paid by subsidiaries of the Group	(42 722)	(11 834)
Net cash (used in) / from financing activities	(1 689 790)	3 673 622
Net (decrease) / increase in cash and cash equivalents	(99 399)	9 136
Cash and cash equivalents at the beginning of the year	175 577	166 441
Cash and cash equivalents at the end of the year	76 178	175 577

FINANCIAL RESULTS

OJSC TMK UNAUDITED FINANCIAL RESULTS FOR SIX MONTHS ENDED JUNE 30, 2005

(Unaudited financial results for the first half of 2005 and the first half of 2004 below do not include the results of Sinara Trading AG, TMK's subsidiary involved in the distribution of TMK's products outside Russia. Sinara Trading AG was acquired by TMK in May 2005 in a transaction between entities under common control. Under IFRS, Sinara Trading AG should be consolidated in the financial statements of TMK for the six-month periods ended June 30, 2005 and 2004)

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(All amounts in thousands of Russian Rubles)

	Six month ended June 30, 2005 (unaudited)	Six month ended June 30, 2004 (unaudited)
Net sales	36 337 802	24 643 594
Cost of sales	(27 253 421)	(20 224 647)
Gross profit	9 084 381	4 418 947
Selling expenses	(1 618 981)	(1 226 609)
Advertising & promotion expenses	(32 889)	(24 083)
General & administrative expenses	(1 509 832)	(1 122 148)
Research & development expenses	(67 112)	(47 215)
Other operating expenses	(335 125)	(335 232)
Other operating income	65 150	55 548
Foreign exchange gain (loss)	(245 844)	(346 847)
Operating profit	5 339 748	1 372 361
Interest expense	(1 085 803)	(1 169 628)
Financial income	30 313	9 050
Profit (loss) before income tax	4 284 258	211 783
Income tax expense	(1 089 177)	(43 095)
Net profit (loss)	3 195 081	168 688
Attributable to:		
Equity holders of the parent entity	3 072 992	123 476
Minority interests	122 089	45 212

FINANCIAL RESULTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(All amounts in thousands of Russian Rubles)

	June 30, 2005 (unaudited)		December 31, 2004	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	189 119		76 178	
Short - term investments	137 777		389 620	
Accounts receivable	2 966 156		3 827 124	
Accounts receivable from related parties	986 784		1 556 450	
Inventories	11 281 627		9 328 244	
Prepayments and input VAT	5 047 631		4 573 853	
Prepayments to related parties	152 526	20 761 620	94 829	19 846 298
NON-CURRENT ASSETS				
Investments and other long-term receivables	714 802			546 370
Long-term receivables from related parties	437 025			405 546
Property, plant and equipment, net	39 006 336			39 396 648
Goodwill	1 070 119			1 070 119
Deferred income taxes	50 146			76 991
Intangible assets/Other	312 834	41 591 262	269 982	41 765 656
TOTAL ASSETS		62 352 882		61 611 954
LIABILITIES & SHAREHOLDERS EQUITY				
CURRENT LIABILITIES				
Accounts payable and advances from customers	3 363 249		4 746 780	
Accounts payable to related parties	126 225		116 393	
Accrued liabilities	2 287 022		2 297 781	
Finance lease liabilities, current portion	71 142		105 091	
Loans and borrowings	12 798 104		16 930 195	
Loans and borrowings from related parties	—		279 817	
Dividends	84 042		50 311	
Advances from related parties	396 433	19 126 217	124 837	24 651 205
NON-CURRENT LIABILITIES				
Loans and borrowings	6 582 828		3 249 019	
Finance lease liabilities, net of current portion	761		28 811	
Deferred income taxes	7 130 360		7 319 543	
Post-employment benefit	307 682		307 682	
Other liabilities	173 325	14 194 956	112 029	11 017 084
TOTAL LIABILITIES		33 321 173		35 668 289
SHAREHOLDERS' EQUITY				
Shareholders' equity				
Issued capital	8 730 013		8 730 013	
Accumulated profits	13 264 341		10 264 681	
Reserve capital	68 462		68 462	
Additional paid-in capital / IC premium	5 071 468	27 134 284	5 071 468	24 134 624
Minority interest		1 897 425		1 809 041
TOTAL EQUITY		29 031 709		25 943 665
TOTAL EQUITY AND LIABILITIES		62 352 882		61 611 954

FINANCIAL RESULTS

(All amounts in thousands of Russian Rubles)

	Six month ended June 30, 2005 (unaudited)	Six month ended June 30, 2004 (unaudited)
Cash flows from operating activities		
Profit (loss) before income tax	4 284 258	211 783
Adjustments for:		
Amortization	1 319 967	1 349 322
Loss on disposal of property, plant and equipment	84 272	(3 676)
(Gain) loss on sale of investments	(9 710)	5 389
Foreign exchange (gain) loss	245 844	346 847
Interest expense	1 085 803	1 169 628
Interest income	(30 292)	(9 044)
Inventory adjustments	(19 776)	11 894
Bad debt expense	30 892	52 257
	6 991 258	3 134 400
Change in working capital	(1 837 936)	(2 075 644)
Income taxes paid	(1 071 256)	(128 315)
Net cash from operating activities	4 082 066	930 441
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 406 008)	(777 576)
Proceeds from sale of property, plant and equipment	27 503	9 972
Prepayments for increases in ownership interests in subsidiaries	(175 242)	(2 919)
Cash in subsidiary acquired via non-cash transaction	—	2 587
Loans granted	2 285	(3 382)
Interest received	29 987	9 044
Proceeds from short-term investments	42 793	—
Net cash used in investing activities	(1 478 682)	(762 274)
Cash flows from financing activities		
Proceeds from borrowings	19 397 133	35 324 569
Repayment of borrowings	(20 737 715)	(17 046 961)
Payment under finance lease liabilities	(65 475)	(113 726)
Distributions to owners	—	(17 097 950)
Interest paid	(1 011 054)	(1 156 808)
Dividends paid by parent company	(73 332)	—
Dividends paid by subsidiaries of the Group	—	(5 770)
Net cash used in financing activities	(2 490 443)	(96 646)
Net increase in cash and cash equivalents	112 941	71 521
Cash and cash equivalents at the beginning of the year	76 178	175 577
Cash and cash equivalents at the end of the year	189 119	247 098



TMK PRODUCT RANGE



TMK PRODUCT RANGE

TMK plants produce practically the whole range of pipe products used in the oil and gas sector, chemical and petrochemical industry, power utilities, machine construction, housing and construction, ship-building, as well as aviation and space.

TMK products are divided into five primary groups:

- **Seamless threaded pipes for oil industry (OCTG).** These include casing, tubing and drill pipes. Casing pipes are used to sustain the walls and collars of boreholes of oil and gas wells during and after drilling. Tubing pipes are used to conduct crude oil and natural gas to the surface after drilling has been completed. Drill pipes are used during the drilling of oil and gas wells by creating axial weight on the drilling bit and thereby increasing the borer's rotation towards the oil shelf. Drill pipes are reusable.

- **Seamless line pipes.** Seamless line pipes are used to transport crude oil and natural gas.

- **Seamless industrial pipes** («other» seamless pipes not used in the oil industry). These products are used by the general industry for various applications, including mechanical and instrumental engineering, hydraulic, boiler and recycling equipment, and ball bearing production.

- **Welded large diameter pipes.** Welded large diameter pipes are used to construct main oil and gas pipelines and to transport crude oil and natural gas.

- **Welded industrial pipes.** Welded industrial pipes are used by the general industry for various applications, including housing and utilities infrastructure, production of furniture, automobile parts and components, mechanical engineering and construction.

Production and offer of the full pipe product range is an unique advantage for TMK, providing wide customer base and stable market position.

TMK PRODUCT RANGE

	Volzhsky	Sinarsky	Seversky	Tagmet
WELDED PIPES				
Welded large diameter pipes	∅ 530—2520			
Welded small and medium diameter pipes, incl.			∅ 10—219	∅ 33—159
Water and gas pipes			∅ 15—100	∅ 8—100
Welded zinc-coated pipes Profiles			∅ 10—159 10x10 — 100x100	∅ 10—114 20x20 — 100x100
SEAMLESS PIPES				
Hot-rolled industrial pipes	∅ 42—426	∅ 28—168	∅ 219—325	∅ 73—273
Cold-formed industrial pipes		∅ 5—80		
Hot rolled line pipes	∅ 57—426	∅ 57—168	∅ 219—325	∅ 73—273
Casing	∅ 168—339.7	∅ 102—168	∅ 219-339.7	∅ 114—245
Tubin		∅ 33—114		∅ 73—114
Drill pipes		∅ 60—127		∅ 73—140
Boiler pipes	∅ 57—426	∅ 10—76		
Ball Bearing pipes	∅ 56—180	∅ 23—83		
Stainless pipes	∅ 42—273	∅ 5—76		
Petrochemical pipes Small diameter steel pipes	∅ 42—325	∅ 19—76 ∅ 0.8—5.0		∅ 108—219
OTHER PRODUCTS				
Pipes for car braking systems Steel strip		3.0—15.0 0.1—0.2		
Billet	∅ 156, ∅ 196 ∅ 228, ∅ 340 ∅ 360, ∅ 410 360 x 360 300 x 300 240 x 240		140 x 140 150 x 150 190 x 150 130 x 130	∅ 325—300 ∅ 345—328 ∅ 365—345 ∅ 478—465
Two layer FBE pipe coating	∅ 168—1420			
Two- and three-layer polyethylene/polypropylene pipe coating	∅ 114—1420			

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