INTERPIPE LIMITED

Unaudited Interim Condensed Consolidated Financial Statements
Six Months Ended 30 June 2008

INTERPIPE LIMITED

TABLE OF CONTENTS

INTERPIPE LIMITED

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008
(in US dollar and in thousands)

	Notes	30 June 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	658,116	531,874
Goodwill	6	10,478	-
Intangible assets other than goodwill		6,616	4,649
Investments in associates		3,928	3,426
Other non-current assets	7	1,781	5,267
Deferred tax assets		10,467	6,095
		691,386	**551,311**
Current assets			
Inventories	8	454,487	235,553
Trade and other accounts receivable		275,457	227,512
Prepayments and other current assets	9	42,732	67,521
Current income tax assets		3,264	4,848
Taxes recoverable, other than income tax		118,444	70,715
Cash and bank deposits		166,406	66,978
		1,060,790	**673,127**
TOTAL ASSETS		**1,752,176**	**1,224,438**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		62,447	11
Share premium		361,091	361,091
Accumulated profits		109,329	26,238
Foreign currency translation reserve		13,146	553
		546,013	387,893
Minority interests		39,229	37,491
Total equity	10	**585,242**	**425,384**
Non-current liabilities			
Deferred tax liabilities		13,391	27,427
Borrowings	11	537,544	364,171
Provisions	12	15,462	12,642
Other non-current liabilities	13	872	-
		567,269	**404,240**
Current liabilities			
Trade and other accounts payable		107,346	45,079
Current income tax liabilities		16,790	4,673
Taxes payable, other than income tax		5,659	3,556
Advances and other current liabilities	14	107,628	114,325
Borrowings	11	350,203	215,385
Provisions	12	12,039	11,796
		599,665	**394,814**
Total liabilities		**1,166,934**	**799,054**
TOTAL EQUITY AND LIABILITIES		**1,752,176**	**1,224,438**

Signed and authorised for issue on behalf of the Board of the Company:

INTERPIPE LIMITED NICOSIA CYPRUS

Oleksandr Kirichko

Member of the Board, Chief Executive Officer

The Notes presented on pages 7 – 21 form an integral part of the interim condensed consolidated financial statements.

(in US dollar and in thousands)

	Notes	For the six month ended 30 June 2008	For the six month ended 30 June 2007
Revenue	4	1,008,376	838,354
Cost of sales	15	(761,744)	(561,412)
Gross profit		**246,632**	**276,942**
Selling and distribution expenses	16	(66,533)	(53,773)
General and administrative expenses	17	(27,407)	(24,781)
Other operating income and expenses, net	18	(15,176)	(10,949)
Operating profit		**137,516**	**187,439**
Finance income	19	31,987	2,236
Finance costs	20	(32,271)	(10,062)
Share of profits of associates		348	160
Profit before tax		**137,580**	**179,773**
Income tax expense	21	(35,032)	(45,652)
Profit for the period		**102,548**	**134,121**
Attributable to:			
Equity holders of the parent		99,952	126,621
Minority interests		2,596	7,500
		102,548	**134,121**

The Notes presented on pages 7 – 21 form an integral part of the interim condensed consolidated financial statements.

(in US dollar and in thousands)

	Attributable to equity holders of the parent						
	Issued capital	**Share premium**	**Accumulated profits**	**Foreign currency translation reserve**	**Total**	**Minority interests**	**Total equity**
At 1 January 2008	**11**	**361,091**	**26,238**	**553**	**387,893**	**37,491**	**425,384**
Effect of exchange rate changes	-	-	-	12,593	12,593	1,310	13,903
Total income and expense for the period recognised directly in equity	-	-	-	12,593	12,593	1,374	13,967
Profit for the period	-	-	99,952	-	99,952	2,596	102,548
Total income and expense for the period	-	-	99,952	12,593	112,545	3,970	116,515
Issue of share capital	62,436	-	-	-	62,436	-	62,436
Acquisition of minority interest (Note 10)	-	-	(16,861)	-	(16,861)	(3,466)	(20,327)
Minority interest arising on acquisition of subsidiary (Note 6)	-	-	-	-	-	1,234	1,234
At 30 June 2008	**62,447**	**361,091**	**109,329**	**13,146**	**546,013**	**39,229**	**585,242**

At 1 January 2007	**11**	**361,091**	**206,710**	**40**	**567,852**	**101,185**	**669,037**
Effect of exchange rate changes	-	-	-	472	472	-	472
Total income and expense for the period recognized directly in equity	-	-	-	472	472	-	472
Profit for the period	-	-	126,621	-	126,621	7,500	134,121
Total income and expense for the period	-	-	126,621	472	127,093	7,500	134,593
Dividends	-	-	(126,000)	-	(126,000)	-	(126,000)
Dividends by subsidiaries of the Group to the minority owners of subsidiaries	-	-	-	-	-	(11,738)	(11,738)
Acquisition of minority interests	-	-	(534)	-	(534)	(19,466)	(20,000)
At 30 June 2007	**11**	**361,091**	**206,797**	**512**	**568,411**	**77,481**	**645,892**

The Notes presented on pages 7 – 21 form an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2008
(in US dollar and in thousands)

	For the six month ended 30 June 2008	For the six month ended 30 June 2007
Profit before tax	**137,580**	**179,773**
Adjustments for:		
Depreciation and amortisation	32,758	29,228
Change in provisions for pension and other obligations	727	13,177
Charge/(release) of allowance for receivables impairment	877	(1,021)
Loss on disposal of property, plant and equipment and intangible assets	1,724	569
Finance costs	32,271	10,062
Finance income	(31,987)	(2,236)
Translation difference and foreign exchange difference	(460)	438
Share of profits of associates	(348)	(160)
Operating cash flows before working capital changes	173,142	229,830
Increase in inventories	(200,883)	(94,180)
Increase in trade and other accounts receivable	(33,525)	(90,700)
Increase in prepayments and other assets	(20,461)	(8,622)
Increase in taxes recoverable, other than income tax	(47,322)	(13,868)
Increase in trade and other accounts payable	47,155	22,134
Increase in taxes payable, other than income tax	1,780	1,580
Increase in advances and other current liabilities	2,350	18,127
Cash generated from operations	(77,764)	64,301
Income tax paid	(47,878)	(8,130)
Interest and other finance costs paid	(79,963)	(54,390)
Net cash (outflow) / inflow from operating activities	**(205,605)**	**1,781**
Cash flow from investing activities		
Purchases of property, plant and equipment and intangible assets	(101,370)	(11,905)
Proceeds from sale of property, plant and equipment	1,167	752
Proceeds from sale of investments	-	1,718
Acquisition of minority interests	(18,486)	-
Acquisition of subsidiary, net of cash acquired	(6,991)	-
Placement of guarantee deposits	-	(510)
Interest received	2,535	421
Net cash outflow from investing activities	**(123,145)**	**(9,524)**
Cash flows from financing activities		
Proceeds from borrowings	384,762	306,741
Repayments of borrowings	(19,106)	(190,962)
Proceed from issue of share capital	62,436	-
Dividends	-	(126,000)
Dividends paid to minority equity holders	(377)	(10,653)
Net cash inflow / (outflow) from financing activities	**427,715**	**(20,874)**
Net change in cash and cash equivalents	98,965	(28,617)
Net foreign exchange difference	463	(374)
Cash and cash equivalents at period beginning	66,978	96,969
Cash and cash equivalents at period end	**166,406**	**67,978**

The Notes presented on pages 7 – 21 form an integral part of the interim condensed consolidated financial statements.

1. Corporate information

Principal activities of Interpipe Limited (referred to herein as the "Company") and its subsidiaries (together – the "Group") include design, manufacture and distribution of steel pipes and solid-rolled railway wheels. The holding company registered office and principal place of business is Office 401, Athienitis Building, 8 Kennedy Street, 1087 Nicosia, Cyprus. Its principal activity is the holding of ownership interests in its subsidiaries, their financing and strategic management. The Group operates through a number of subsidiaries in various jurisdictions and has a concentration of its business in Ukraine, where its production facilities are located.

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2008 were authorised for issue on 30 September 2008.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The information furnished herein was obtained from the books and records of the Group. However, such information reflects all adjustments which are, in the opinion of management, normal recurring adjustments necessary for the fair statement of the results for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for any future interim period or for the year.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual IFRS consolidated financial statements as at 31 December 2007 and for the year then ended.

3. Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these interim condensed consolidated financial statements for the six months ended 30 June 2008 as were applied in the preparation of the Group's annual IFRS consolidated financial statements for the year ended 31 December 2007.

Derivative financial instruments

The Group enters into derivative financial instruments, namely, foreign exchange forward contracts, to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates the derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates hedging instruments as fair value hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item, unless hedge is assessed as perfectly effective.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

(in US dollar and in thousands)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is included in the initial cost or other carrying amount of the asset or liability as a "basis adjustment".

4. Segment information

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. For management purposes, the Group is organised into business units based on its products and services, and has four reportable operating segments: seamless pipes segment, welded pipes segment, railway wheels segment and other operations segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

There are no sales or other transactions between the business segments.

Segment revenues and results

Six month ended 30 June 2008	*Seamless pipes*	*Welded pipes*	*Railway wheels*	*Other operations*	*Total*
Revenue	574,294	179,298	231,935	22,849	1,008,376
Cost of sales	(475,124)	(129,391)	(142,268)	(14,961)	(761,744)
Gross profit	99,170	49,907	89,667	7,888	246,632
Selling and distribution expenses	(42,702)	(18,054)	(5,447)	(330)	(66,533)
General and administrative expenses	(15,931)	(5,925)	(4,279)	(1,272)	(27,407)
Other operating income and expenses, net	(8,545)	(3,505)	(1,902)	(1,224)	(15,176)
Operating profit	**31,992**	**22,423**	**78,039**	**5,062**	**137,516**
Finance income					31,942
Finance costs					(32,226)
Share of profits of associates					348
Profit before tax					**137,580**
Income tax expense					(35,032)
Profit for the period					**102,548**

For the period ended 30 June 2008, share of profits of associates was attributable to seamless pipes segment.

(in US dollar and in thousands)

Segment revenues and results

Six month ended 30 June 2007	*Seamless pipes*	*Welded pipes*	*Railway wheels*	*Other operations*	*Total*
Revenue	520,062	129,714	185,642	2,936	838,354
Cost of sales	(352,361)	(90,068)	(113,332)	(5,651)	(561,412)
Gross profit	167,701	39,646	72,310	(2,715)	276,942
Selling and distribution expenses	(36,352)	(8,898)	(4,813)	(1,917)	(51,980)
General and administrative expenses	(16,991)	(5,946)	(3,010)	(627)	(26,574)
Other operating income and expenses, net	(6,259)	(2,290)	(2,398)	(2)	(10,949)
Operating profit	**108,099**	**22,512**	**62,089**	**(5,261)**	**187,439**
Finance income					2,236
Finance costs					(10,062)
Share of profits of associates					160
Profit before tax					**179,773**
Income tax expense					(45,652)
Profit for the period					**134,121**

For the six month ended 30 June 2007, share of profits of associates was attributable to seamless pipes segment.

(in US dollar and in thousands)

5. Property, plant and equipment

Movement in property, plant and equipment and related accumulated depreciation for the six month ended 30 June 2008 was as follows:

	Buildings and improvements	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction -in-progress and uninstalled equipment*	*Total*
Cost						
At 1 January 2008	84,598	472,614	9,951	5,563	85,628	658,354
Additions	19	5,827	691	602	96,272	103,411
Transfers	2,402	6,980	157	687	(10,226)	-
Disposals	(353)	(2,416)	(46)	(90)	(19)	(2,924)
Acquisition of subsidiary	21,239	8,471	2,271	26	3,252	35,259
Translation difference	3,575	19,926	432	82	4,127	28,142
At 30 June 2008	111,480	511,402	13,456	6,870	179,034	822,242
Accumulated depreciation and impairment						
At 1 January 2008	22,530	97,632	4,641	1,677	-	126,480
Depreciation for the period	5,301	25,379	1,126	564	-	32,370
Disposals	(92)	(922)	(31)	(35)	-	(1,080)
Translation difference	1,104	4,962	226	64	-	6,356
At 30 June 2008	28,843	127,051	5,962	2,270	-	164,126
Net book value						
At 1 January 2008	62,068	374,982	5,310	3,886	85,628	531,874
At 30 June 2008	82,637	384,351	7,494	4,600	179,034	658,116

As at 30 June 2008, costs attributable to the project of an electric arc furnace construction commenced during 2007, amounted to USD 102,402 thousand and were included in the construction-in-progress and uninstalled equipment and comprised of site preparation costs and prepayment under the contract for equipment delivery (Note 23). Other costs included in construction-in-progress and uninstalled equipment represented primarily unfinished installation works and uninstalled equipment on existing production sites.

(in US dollar and in thousands)

Movement in property, plant and equipment and related accumulated depreciation for the six month ended 30 June 2007 was as follows:

	Buildings and improvements	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction -in-progress and uninstalled equipment*	*Total*
Cost						
At 31 December 2006	79,779	445,714	10,534	3,820	17,754	557,601
Additions	-	30	155	5	10,756	10,946
Transfers	862	12,478	1,310	348	(14,998)	-
Disposals	(21)	(682)	(123)	(44)	(438)	(1,308)
Translation difference	-	-	1	8	-	9
At 30 June 2007	80,620	457,540	11,877	4,137	13,074	567,248
Accumulated depreciation and impairment						
At 31 December 2006	12,023	49,576	2,306	796	-	64,701
Depreciation for the period	17,517	9,588	2,427	362	-	29,894
Disposals	(1)	(43)	(18)	(11)	-	(73)
Translation difference	-	-	-	2	-	2
At 30 June 2007	29,539	59,121	4,715	1,149	-	94,524
Net book value						
At 31 December 2006	67,756	396,138	8,228	3,024	17,754	492,900
At 30 June 2007	51,081	398,419	7,162	2,988	13,074	472,724

(in US dollar and in thousands)

6. Acquisition of OJSC "Dnepropetrovsk Vtormet" and changes in ownership interest of subsidiaries

OJSC "Dnepropetrovsk Vtormet" acquisition

As of 30 June 2008, Interpipe Limited acquired 95.95% shares of OJSC "Dnepropetrovsk Vtormet" ("Vtormet") for the total consideration of USD 39,723 thousand. The transfer of ownership to Interpipe Limited was subject to preliminary consent of the Antimonopoly Committee of Ukraine, which was obtained in June 2008.

OJSC "Dnepropetrovsk Vtormet" operates a scrap metal processing plant in Dnepropetrovsk as well as operates scrap metal collection business in Dnepropetrovsk and Ternopol districts of Ukraine. Vtormet holds a 100% subsidiary LLC "Luganskiy Kombinat Vtormet" that operates a scrap metal collection business in Lugansk district of Ukraine.

The table below sets forth the provisional fair values of the subsidiary's consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

	30 June 2008
Property, plant and equipment	35,132
Other non-current assets	391
Inventories	7,535
Trade and other accounts receivable	18,125
Prepayments and other current assets	1,117
Cash and cash equivalents	9
Total assets	62,309
Long term borrowings	374
Deferred income tax liabilities	6,227
Other non-current liabilities	566
Trade and other accounts payable	14,123
Short term borrowings	4,498
Current income tax liabilities	378
Advances and other current liabilities	5,664
Total liabilities	31,830
Net assets	**30,479**
Attributable to minority interest	(1,234)
Net assets acquired by the Group	**29,245**

Goodwill on Vtormet acquisition was as follows:

	30 June 2008
Purchase consideration	39,723
Net assets acquired by the Group	(29,245)
Goodwill	**10,478**

Cash flow on Vtormet acquisition during the six-month period ended June 30, 2008 was as follows:

	For the six month ended 30 June 2008
Purchase consideration	39,723
Liability to predecessor shareholder (Note 14)	(32,723)
Net cash acquired with the subsidiary	(9)
Net cash outflow	**6,991**

(in US dollar and in thousands)

Changes in ownership interest of subsidiaries

For six months ended 30 June 2008 the major movements in the Group ownership of subsidiaries were as follows (Note 10):

- The ownership interest in JSC "Interpipe Niznedneprovsky Tube Rolling Plant" increased by 0.93% up to 92.77%.
- The ownership interest in "Interpipe Niko Tube" LLC increased by 27.35% up to 99.93%.

7. Other non-current assets

Other non-current assets consisted of the following:

	30 June 2008	*31 December 2007*
Asset arising on adjustment for hedged item (Note 24)	364	-
Prepayment for JSC "Interpipe Niznedneprovsky Tube Rolling Plant" shares (Note 10)	-	1,787
Other	1,417	3,480
	1,781	**5,267**

8. Inventories

Inventories carried at lower of cost and net realisable value consisted of the following:

	30 June 2008	*31 December 2007*
Raw materials	168,985	104,852
Work in process	72,989	33,707
Finished goods	212,513	96,994
	454,487	**235,553**

As at 30 June 2008 and 31 December 2007, amount of write down of inventories to net realisable value comprised USD 12,703 thousand and USD 6,725 thousand, respectively. There were no reversals of write downs.

9. Prepayments and other current assets

Prepayments and other current assets consisted of the following:

	30 June 2008	*31 December 2007*
Prepayments to suppliers	34,815	14,141
Guarantee deposits	3,827	4,378
Available reimbursement related to litigations (Notes 12 and 18)	586	1,591
Prepaid insurance expense	427	232
Asset arising on adjustment for hedged item (Note 24)	971	-
Prepayment to settle the liability attributable to minority participants of "Interpipe Niko Tube" LLC (Note 10, 14)	-	47,000
Other current assets	2,106	179
	42,732	**67,521**

(in US dollar and in thousands)

10. Equity

Issued capital

In April 2008, authorised capital of the company of 5,000 ordinary shares of 1.00 Cyprus pound per share was converted to EUR at the rate of EUR 1.71 per share. The authorised capital of EUR 8,550 comprising of 5,000 shares where then subdivided into 85,500,000 shares of EUR 0.0001 per share. Additional 414,500,000 ordinary shares were issued of EUR 0.0001 per share. In the result of the transaction the number of shares was increased to 500,000,000 and the authorised capital increased to EUR 50 thousand.

In June 2008, 500,000,000 ordinary shares of the Company of EUR 0.0001 per share were merged to 5,000,000 shares of EUR 0.01 per share. Additional 3,995,000,000 ordinary shares were issued of EUR 0.01 per share. In the result of the transaction, as of 30 June 2008, the number of shares comprised of 4,000,000,000 ordinary shares and the authorised capital comprised of EUR 40,000 thousand.

As of 30 June 2008 authorised capital of the Company was fully paid.

Acquisitions of minority interests in NTRP

In October 2007, a prepayment amounting to USD 1,787 thousand was made for 0.08% of minority interest in NTRP (Note 7). The transaction was completed in May 2008.

In May 2008 two other acquisitions of minority interest in NTRP took place 0.81% and 0.04%, respectively. The combined consideration paid for these two acquisitions comprised USD 18,562 thousand. As of 30 June 2008 the Group ownership interest in NTRP comprised 92.77% (Note 5).

The excess of the consideration paid over the carrying value of the minority interests, which amounted to USD 16,861 thousand for the six months ended 30 June 2008, was charged to accumulated profits.

Acquisitions of minority interests in Interpipe Nico Tube

In June 2008, the transaction on Interpipe Niko Tube minority interest acquisition was completed and the Group ownership interest in Interpipe Nico Tube, as of 30 June 2008, comprised 99.93% (Note 5). As a result of the transaction the prepayment of total consideration under the purchase agreement as well as the liability attributable to minority participants in Interpipe Niko Tube amounting to USD 47,000 thousand, as of 31 December 2007, were settled (Note 9, 14).

11. Borrowings

Interest bearing long and short-term borrowings net of unamortised borrowing origination costs consisted of the following:

	30 June 2008	*31 December 2007*
Current borrowings		
Interest bearing loans due to banks	307,227	174,841
Borrowings from non financial institutions	831	3,546
Add: Current portion of non-current borrowings	42,145	36,998
	350,203	**215,385**
Non-current borrowings		
Interest bearing loans due to banks	383,018	205,193
8.75 per cent bonds due in 2010	196,671	195,976
Less: Current portion of non-current borrowings	(42,145)	(36,998)
	537,544	**364,171**
Total borrowings	**887,747**	**579,556**

(in US dollar and in thousands)

A summary of the pledges to secure bank loans is set out below:

	30 June 2008	*31 December 2007*
Carrying values of property, plant and equipment	78,026	205,755
Contract amounts of future proceeds under sales agreements to Group companies	395,234	30,577
Contract amounts of property rights under property, plant and equipment purchase agreements	50,719	53,663
Carrying values of trade accounts receivable and contract amounts of future proceeds under sales agreements to ultimate customers	35,621	50,176
Carrying values of inventories	1,023	-
Cash and bank deposits	47,797	880
Participatory interest in issued capital of a Group subsidiary	1,835	-

The 8.75 per cent bonds are jointly and severally guaranteed by JSC "Interpipe Niznedneprovsky Tube Rolling Plant" ("NTRP"), Interpipe Niko Tube and Interpipe Ukraine.

In April 2008, the Group entered into a loan facility agreement amounting to USD 344,200 thousand with the purpose to finance the electric arc furnace construction (Note 23, 24). The facility bears a fixed rate and is repayable according to the predefined scheme by May 2018. Servizi Assicurativi del Commercio Estero ("SACE"), organized under the law of the Republic of Italy, is the guarantor of the facility. The facility is subject to a SACE guarantee fee, arrangement, security fees and other fees. The Group property rights under the electric arc furnace construction and equipment delivery contracts are collateralized as a security under the facility. In addition to the above, the facility is secured with the property of LLC "Metallurgical Plant "Dneprostal", Steel One Limited, Interpipe Limited, LLC "Interpipe Ukraine", NTRP and Interpipe Nico Tube, as well as scrap metal purchase property rights of LLC "Metallurgical Plant "Dneprostal" and Vtormet. As of 30 June 2008, the amounts drawn under this facility comprised USD 94,087 thousand (Note 24).

In May 2008, the Group entered into two short term loan facilities with Ukrainian banks for the total amount of USD 90,000 thousand with a maturity in May 2009. The facilities are denominated in USD, obtained with the purpose of working capital financing and have blank insurance.

In June 2008, the Group entered into a long term loan facility with a Ukrainian bank for the total amount of USD 23,597 thousand with a maturity in June 2011. The facility is denominated in EUR, obtained with the purpose of working capital financing and has blank insurance.

For the six months ended 30 June 2008, the Group made further withdrawals on the loan facilities and credit lines signed up before 31 December 2007.

Bank borrowings and bonds issued are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness, mergers or acquisitions, liens and dispositions of assets, transactions with affiliates, payment of dividends and some other distributions, guarantees and sureties issued to other parties as well as restrictions in respect of certain finance ratios relating, but not limited to, debt service, profitability and performance measures. Breach of certain covenants may cause part or full amount of the respective facility becoming due and payable as at the moment of breach. The management of the Group monitors on an ongoing basis that the restrictive covenants are fulfilled in due course.

(in US dollar and in thousands)

12. Provisions

As at 30 June 2008 and 31 December 2007, the provisions comprised:

	30 June 2008	*31 December 2007*
Provision for customers' and other claims	8,627	8,966
Defined benefit state pension plan	16,945	13,924
Retirement benefit plan	1,929	1,548
	27,501	**24,438**
Provision – current portion	(12,039)	(11,796)
Provision – non-current portion	**15,462**	**12,642**

Non-current portion of provisions related to defined benefit state pension plan and retirement benefit plan.

13. Other non-current liabilities

As at 30 June 2008 and 31 December 2007, other non-current liabilities comprised:

	30 June 2008	*31 December 2007*
Liability arising on derivative in a hedge relationship (Note 24)	364	-
Liability attributable to minority participants	99	-
Other	409	-
	872	**-**

14. Advances and other current liabilities

Advances and other current liabilities consisted of the following:

	30 June 2008	*31 December 2007*
Advances from customers	39,336	40,715
Liability to predecessor shareholder on Vtormet acquisition (Note 6,25)	32,723	-
Accrued employee benefits	13,247	12,046
Interest payable	9,698	9,238
Dividends payable to minority owners	4,624	1,843
Advances received from minority shareholders on NTRP and NMPP shares rights issue (Note 25)	2,306	-
Liability arising on derivative in hedge relationship (Note 24)	971	-
Liability attributable to minority participants (Note 9, 10)	-	47,000
Other	4,723	3,483
	107,628	**114,325**

(in US dollar and in thousands)

15. Cost of sales

Cost of sales consisted of the following:

	For the six month ended 30 June 2008	*For the six month ended 30 June 2007*
Materials	585,729	401,542
Energy and utilities	65,280	50,087
Payroll and related expenses	36,480	33,104
Repairs and maintenance	30,718	16,511
Depreciation	24,507	27,082
Rolling tools and instruments	17,141	20,211
Insurance	-	4,395
Loss arising on derivative in hedge relationship (Note 24)	1,335	-
Gain arising on adjustment for hedged item in hedge relationship (Note 24)	(1,335)	-
Other	1,889	8,480
	761,744	**561,412**

16. Selling and distribution expenses

Selling and distribution expenses consisted of the following:

	For the six month ended 30 June 2008	*For the six month ended 30 June 2007*
Forwarding and transportation services	43,644	32,695
Storage and packaging expenses	10,094	6,031
Payroll and related expenses	4,875	3,248
Customs services	1,718	1,796
Advertising and promotion	1,301	538
Sales agency fees	557	1,109
Foreign exchange losses	536	484
Charge of accounts receivable allowance	466	1,436
Professional fees	338	821
Insurance expense	238	2,816
Other	2,766	2,799
	66,533	**53,773**

17. General and administrative expenses

General and administrative expenses consisted of the following:

	For the six month ended 30 June 2008	*For the six month ended 30 June 2007*
Payroll and related expenses	12,165	9,555
Professional fees	4,871	5,744
Business trips and transportation	2,083	1,466
Bank fees	1,729	1,993
Rent	1,268	296
Depreciation and amortisation	1,044	1,144
Communication	654	473
Taxes, other than income tax	487	477
Repairs and maintenance	428	1,573
Insurance expense	414	746
Other	2,264	1,314
	27,407	**24,781**

(in US dollar and in thousands)

18. Other operating income and expenses, net

Other operating income and expenses consisted of the following:

	For the six month ended 30 June 2008	*For the six month ended 30 June 2007*
Foreign exchange gains, net of losses	(1,250)	(652)
Foreign currency trading loss/(gain)	9,594	(286)
Customers' and other claims charges, net of reversals (Notes 9 and 12)	2,899	11,539
Maintenance of social assets	1,806	1,721
Loss on disposal of property, plant and equipment and intangible assets	1,724	569
Gain on disposal of other assets	2,217	(1,457)
Other losses/(gains)	(1,814)	(485)
	15,176	**10,949**

19. Finance income

Finance income consisted of the following:

	For the six month ended 30 June 2008	*For the six month ended 30 June 2007*
Foreign exchange gains	29,393	379
Interest income relating to bank deposits	2,581	421
Gain on investments disposal	-	1,390
Other	13	46
	31,987	**2,236**

20. Finance costs

Finance costs consisted of the following:

	For the six month ended 30 June 2008	*For the six month ended 30 June 2007*
Interest expense relating to bank loans and bonds issued	28,210	8,225
Foreign exchange losses	2,047	425
Defined benefit state pension plan and retirement benefit plan interest expense	1,466	1,370
Other	548	42
	32,271	**10,062**

(in US dollar and in thousands)

21. Income tax

The components of income tax expense for the six month ended 30 June 2008 and 2007 were as follows:

	For the six month ended 30 June 2008	*For the six month ended 30 June 2007*
Current income tax expense	61,203	64,703
Deferred income tax benefit	(26,171)	(19,051)
	35,032	**45,652**

22. Related party transactions

The transactions and outstanding balances of the Group with its associates are presented below:

			30 June 2008		*30 June 2007*	
	For the six months ended 30 June 2008	*For the six months ended 30 June 2007*	*Amounts owed to the Group*	*Amounts owed by the Group*	*Amounts owed to the Group*	*Amounts owed by the Group*
Sales of the products and other commodities	1,841	2,453	2,102	-	1,326	-
Purchases of inventories, utilities and other services	10,284	2,409	100	5,760	41	1,348
Short-term borrowings and related finance expense	331	-	-	-	-	-

The significant part of the associates' transactions is with the Group production entities.

Terms and conditions of transactions with the related parties are similar to those that are available to parties not related with the Group.

23. Commitments, contingencies, and operating risks

Operating environment in Ukraine, Russia, and Kazakhstan

The Group has significant operations in Ukraine, Russia, and Kazakhstan whose economies continue to display certain characteristics consistent with that of economies in transition. Whilst there have been improvements in the economic situation, these countries continue economic reforms and development of their legal, tax and regulatory frameworks as required by a market economy. Whereas in Russia the restrictive currency controls have been removed, they still exist in Ukraine and Kazakhstan which cause the Ukrainian and Kazakhstani national currencies to be illiquid outside of these countries. The future stability of the economies is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by their governments.

Tax and other regulatory compliance in Ukraine, Russia, and Kazakhstan

Ukrainian, Russian, and Kazakhstani legislations and regulations regarding taxation and other operational matters, including currency exchange control, custom regulations and transfer pricing, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable.

(in US dollar and in thousands)

Litigation

As at 30 June 2008 and 31 December 2007, North American Interpipe Inc LLC was defendant in several litigations relating to quality claims from customers amounting to approximately USD 14,817 thousand and USD 16,726 thousand, respectively. Provision for probable adverse consequences of the above cases amounting to USD 8,669 thousand and USD 8,166 thousand was included in provision for customers' and other claims as at 30 June 2008 and 31 December 2007, respectively (Note 12).

In addition to the specific cases mentioned above, in the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Pledges and guarantees issued

As at 30 June 2008 and 31 December 2007, the Group had issued guarantees amounted to USD 3,084 thousand and USD 1,500 thousand, respectively, in favour of various financial institutions with respect to short-term financing provided to the associated companies and other parties.

The fair value of issued guarantees on initial recognition is negligible and, therefore, has not been recognised in these financial statements.

Lease of land

The Group has the right to permanent use of the land on which its Ukrainian production facilities are located, and pays land tax as assessed annually by the state based on the total area and use for which the land is zoned.

Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2008, the capital commitment under a turn-key contract with a leading equipment supplier to construct the electric arc furnace with a production capacity of 1.3 million ton of billets annually, comprised of EUR 274,816 thousand (equivalent of USD 432,313 thousand as at that date).

As at 30 June 2008, prepayment amounting to USD 96,150 thousand was made under the commitment (Note 5).

As at 30 June 2008, the Group's contractual commitments for acquisition and modernisation of production equipment amounted to USD 64,031 thousand and acquisition and implementation of management information systems amounted to USD 8,715 thousand.

24. Financial risk management

In April 2008, the Group entered into a forward exchange contract designated as a hedge of the firm commitment to supplier of electric arc furnace equipment (Note 11, 23). The amount of firm commitment that is being hedged comprised EUR 200,000 thousand. The forward exchange contract is being used to hedge the USD/EUR foreign currency risk arising on the firm commitment.

Asset arising on adjustment for hedged item in a designated fair value hedge accounting relationship was as follows:

	30 June 2008	*31 December 2007*
Non-current portion (Note 7)	364	-
Current portion (Note 9)	971	-
	1,335	**-**

Liability arising on derivative in a designated fair value hedge accounting relationship was as follows:

	30 June 2008	*31 December 2007*
Non-current portion (Note 13)	364	-
Current portion (Note 14)	971	-
	1,335	**-**

For the six months ended 30 June 2008 and 2007, loss on derivative in a designated fair value hedge accounting relationship comprised USD 1,335 thousand and nil, respectively, and was recognised in cost of sales. For the six months ended 30 June 2008 and 2007, gain on adjustment for the hedged item in a designated fair value hedge accounting relationship comprised USD 1,335 thousand and nil, respectively, and was recognised in cost of sales (Note 15).

25. Events after the balance sheet date

In July 2008, JSC "Interpipe Niznedneprovsky Tube Rolling Plant" performed the rights issue of 346,115,000 shares to existing shareholders so that the number of shares after the rights issue comprised 400,000,000. In the result of the rights issue the share capital of NTRP increased by the equivalent of USD 17,845 thousand. After the rights issue the Group share in NTRP comprised 93.62%.

In July 2008, JSC "Interpipe Novomoskovsk Pipe Production Plant" ("NMPP") performed the rights issue of 188,000,000 shares to existing shareholders so that the number of shares after the rights issue comprised 200,000,000. In the result of the rights issue the share capital of NMPP increased by the equivalent of USD 9,692 thousand. After the rights issue the Group share in NMPP comprised 87.64%.

In July 2008, liability to predecessor shareholder on Vtormet acquisition amounting to USD 32,723 thousand was settled.

In July and August 2008, the Group entered into two short term loan facilities with foreign bank for the total amount of USD 40,000 thousand with a maturity during 2009. The facilities are denominated in USD, obtained with the purpose of working capital financing and have blank insurance.

In August 2008, the Group entered into a long term loan facility with foreign bank for the total amount of USD 50,000 thousand with a maturity in August 2012. The facility is denominated in USD and was obtained with the purpose of working capital financing. The export sales contracts property rights are collateralized as insurance under the facility.

In August 2008, the Group entered into a forward exchange contract designated as a hedge of the highly probable forecast transaction. The amount of forecast transaction that is being hedged comprised USD 30,000 thousand. The forward exchange contract is being used to hedge the USD/UAH foreign currency risk arising on forecasted sales of USD currency.