SEVERSTAL

Condensed special purpose consolidated financial statements for the six months ended June 30, 2003

Condensed special purpose consolidated financial statements for the six months ended June 30, 2003

Contents

<u>Page</u>

Independent accountants' review report	1 – 2
Condensed special purpose consolidated balance sheet	3
Condensed special purpose consolidated statement of operations	4
Condensed special purpose consolidated statement of cash flows	5
Condensed special purpose consolidated statement of changes in shareholders' equity	6
Notes to the condensed special purpose consolidated financial statements	7 – 9



KPMG Limited

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Independent Accountants' Review Report

The Board of Directors and Shareholders OAO Severstal

Introduction

We have been engaged by the Company to review the accompanying condensed special purpose consolidated financial statements prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board set out on pages 3 to 9.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The condensed special purpose consolidated financial statements are the responsibility of, and have been approved by, the directors.

Basis of preparation

The accompanying condensed special purpose consolidated financial statements have been prepared for the purpose of presenting the consolidated financial position, results of operations, changes in shareholders' equity and cash flows of the Company as of 30 June 2003 as if the Group structure that came in place on 16 September 2002 had been in place before 1 January 2002. The basis of preparation of the condensed special purpose consolidated financial statements is explained in note 2 to these condensed special purpose consolidated financial statements.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the condensed special purpose consolidated financial statements.





Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the condensed special purpose consolidated financial statements as presented for the six months ended 30 June 2003.

KPMG dimited.

KPMG Limited Moscow, Russian Federation 1 December 2003

Condensed special purpose consolidated balance sheet June 30, 2003

(Amounts expressed in thousands of US dollars)

Assets 256,650 188,288 Current assets: 236,650 188,288 Reserves at Central Bank of Russia 6,366 2,520 Banking assets 94,812 39,058 Trade accounts receivable 155,765 123,970 Inventories 259,323 246,749 Anounts receivable from related parties 56,995 42,827 VAT recoverable 7,138 1,306 Other current assets 82,350 93,248 Lease receivable 2,19 446 Financial assets 1,358,207 1,117,142 Non-current assets: 289 446 Lasse receivables 32 161 Financial assets 28,2221 115,070 Property, plant & equipment 1,918,483 1,989,734 Intangible assets (4,472) (1,893) Total assets 3,554,471 3,189,214 Liabilities and shareholders' equity 1,752 8,466 Other taxes and social security payable 1,752 8,466 Other taxe		June 30, 2003	December 31, 2002
Cash and cash equivalents 236,650 188,288 Reserves at Counts receivable 155,765 123,9068 Trade accounts receivable from related parties 56,995 42,827 VAT recoverable 54,878 48,233 Income tax recoverable 7,138 1,506 Other current assets 282,350 93,248 Lease receivables 289 416 Financial assets 403,641 330,327 Total current assets 32 161 Financial assets 1,358,207 1,117,142 Non-current assets: 22 161 Lasse receivables 32 161 Financial assets 282,221 115,070 Property, plant & equipment 1,918,483 1,958,734 Intangible assets 2,196,264 2,072,072 Total assets 3,534,471 3,189,214 Liabilities and shareholders' equity 1,572 8,466 Other current liabilities 1,752 8,466 Other current liabilities 1,172 8,466			
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Inventories 259,323 246,749 Amounts receivable from related parties 56,995 42,827 VAT recoverable 7,138 1,506 Other current assets 82,350 93,248 Lease receivables 289 416 Financial assets 403,641 330,327 Total current assets: 32 161 Lease receivables 32 161 Financial assets 282,221 115,070 Property, plant & equipment 1,918,483 1.958,734 Intangible assets 2,196,264 2,072,072 Total non-current assets 2,196,264 2,072,072 Total assets 3,554,471 3,189,214 Liabilities and shareholders' equity Current liabilities: 1,752 8,466 Other current liabilities 1,752 8,466 0ther current liabilities 3,130 3,665 Debt finance 18,2,348 92,493 Lease (14,210) 372,2269 Non-current liabilities 514,210 372,2269 0ther current liabilities 514,210 <td>6</td> <td></td> <td></td>	6		
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Lease receivables 289 416 Financial assets 403,641 330,327 Total current assets 1,358,207 1,117,142 Non-current assets: 2 161 Lease receivables 32 161 Financial assets 282,221 115,070 Property, plant & equipment 1,918,483 1,958,734 Intangible assets 2,196,264 2,072,072 Total non-current assets 2,196,264 2,072,072 Total assets 3,554,471 3,189,214 Liabilities and shareholders' equity 10,145 117,059 Bank customer accounts 16,010 6,857 Amounts payable to related parties 3,732 35,715 Income taxes payable 1,752 8,466 Other taxes and social security payable 21,997 22,363 Deferred income 3,130 3,665 Debt finance 114,194 84,398 Total current liabilities 514,210 372,269 Non-current liabilities 280,302 287,555 Debt finance 71,778 83,899 <t< td=""><td>Income tax recoverable</td><td>7,138</td><td>1,506</td></t<>	Income tax recoverable	7,138	1,506
Financial assets 403,641 330,327 Total current assets 1,358,207 1,117,142 Non-current assets: 282,221 1,117,142 Lease receivables 32 161 Financial assets 282,221 115,070 Property, plant & equipment 1,918,433 1.958,734 Intargible assets 2,196,264 2,072,072 Total non-current assets 2,196,264 2,072,072 Total assets 3,554,471 3,189,214 Liabilities and shareholders' equity Uurrent liabilities: 140,145 117,059 Trade accounts payable 140,145 117,059 83,732 35,715 Income taxes payable 1,522 8,466 006 6857 Amounts payable to related parties 3,3732 35,715 Income taxes payable 1,752 8,466 Other taxes and social security payable 1,979 22,363 Deferred income 3,130 3,665 Debt finance 182,348 92,493 144,194 84,398 564 Other current liabilities 514,210 372,259 144 666 631 <td>Other current assets</td> <td>82,350</td> <td>93,248</td>	Other current assets	82,350	93,248
Total current assets 1,358,207 1,117,142 Non-current assets: 22 161 Financial assets 282,221 115,070 Property, plant & equipment 1,918,483 1,958,734 Intangible assets 2,196,264 2,072,072 Total non-current assets 2,196,264 2,072,072 Total assets 3,554,471 3,189,214 Liabilities: 3,554,471 3,189,214 Liabilities and shareholders' equity 16,010 6,857 Amounts payable to related parties 33,732 35,715 Income taxes payable 11,752 8,466 Other taxes and social security payable 21,997 22,363 Deferred income 3,130 3,665 Debt finance 182,348 92,493 Lease liabilities 114,194 84,398 Total current liabilities 514,210 372,269 Non-current liabilities 280,302 287,526 Other current liabilities 280,302 287,526 Other current liabilities 233,895	Lease receivables	289	416
Non-current assets: 32 161 Lease receivables 32 161 Financial assets 282,221 115,070 Property, plant & equipment 1.918,483 1.958,734 Intangible assets (4.472) (1.893) Total non-current assets $2,196,264$ $2,072,072$ Total assets $3,554,471$ $3,189,214$ Liabilities and shareholders' equity Turrent liabilities: 160,010 6.857 Trade accounts payable 16,010 6.857 Amounts payable to related parties 33,732 35,715 Income taxes payable 1,752 8.466 Other taxes and social security payable 21,997 22,363 Deferred income 3,130 3,665 Pobt finance 182,348 92,493 Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities 514,210 372,269 372,269 372,269 Non-current liabilities 280,302 287,526 041,778 83,859 142,10 372,269 3	Financial assets	403,641	330,327
Lease receivables 32 161 Financial assets $282,221$ $115,070$ Property, plant & equipment $1,918,483$ $1.958,734$ Intargible assets $(4,472)$ $(1,893)$ Total non-current assets $2.196,264$ $2.072,072$ Total assets $3,554,471$ $3,189,214$ Liabilities and shareholders' equity $33,732$ $35,715$ Current liabilities: $16,010$ $6,857$ Amounts payable to related parties $33,732$ $35,715$ Income taxes payable to related parties $3,130$ $3,665$ Debt finance $182,348$ $92,493$ Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities $514,210$ $372,269$ Non-current liabilities $514,210$ $372,269$ Non-current liabilities $280,302$ $287,526$ Other on-current liabilities $33,895$ $35,815$ Total non-current liabilities $33,895$ $35,815$ Other on-current liabilities $33,895$ $35,815$	Total current assets	1,358,207	1,117,142
Financial assets $282,221$ $115,070$ Property, plant & equipment $1,918,483$ $1,958,734$ Intangible assets $2,196,264$ $2,072,072$ Total non-current assets $2,196,264$ $2,072,072$ Total assets $3,554,471$ $3,189,214$ Liabilities and shareholders' equity $Uurrent liabilities:$ $3,554,471$ $3,189,214$ Liabilities and shareholders' equity $140,145$ $117,059$ Bank customer accounts $16,010$ $6,857$ Amounts payable to related parties $33,732$ $35,715$ Income taxes payable $1,752$ $8,466$ Other taxes and social security payable $21,997$ $22,363$ Defered income $3,130$ $3,665$ Debt finance $182,348$ $92,493$ Lease liabilities $514,210$ $372,269$ Non-current liabilities $514,210$ $372,269$ Non-current liabilities $280,302$ $287,526$ Other non-current liabilities $33,11,129$ $3,311,129$ Debt finance $33,895$ $35,815$ Deterred tax liabilities <td>Non-current assets:</td> <td></td> <td></td>	Non-current assets:		
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Intangible assets (4,472) (1,893) Total non-current assets 2,196,264 2,072,072 Total assets 3,554,471 3,189,214 Liabilities and shareholders' equity Current liabilities: 140,145 117,059 Trade accounts payable 16,010 6,857 Amounts payable to related parties 33,732 35,715 Income taxes payable 1,752 8,466 Other taxes and social security payable 21,997 22,363 Deferred income 3,130 3,665 Debt finance 182,348 92,493 Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities 514,210 372,269 Non-current liabilities 280,302 287,526 Other non-current liabilities 280,302 287,525 Other non-current liabilities 3379,55 407,879 Minority interest 33,895 35,815 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446	Financial assets	282,221	115,070
Total non-current assets 2,196,264 2,072,072 Total assets 3,554,471 3,189,214 Liabilities and shareholders' equity 2000 2000 Current liabilities: 140,145 117,059 Trade accounts payable 16,010 6,857 Amounts payable to related parties 3,732 35,715 Income taxes payable 1,752 8,466 Other taxes and social security payable 21,997 22,363 Deferred income 3,130 3,665 Debt finance 182,348 92,493 Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities 514,210 372,269 Non-current liabilities 280,302 287,526 Other non-current liabilities 280,302 287,526 Other non-current liabilities 33,895 35,815 Total non-current liabilities 33,895 35,815 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 <td></td> <td>1,918,483</td> <td>1,958,734</td>		1,918,483	1,958,734
Total assets 3,554,471 3,189,214 Liabilities and shareholders' equity Current liabilities: 140,145 117,059 Bank customer accounts payable 16,010 6,857 Amounts payable to related parties 33,732 35,715 Income taxes payable 1,752 8,466 Other taxes and social security payable 21,997 22,363 Deferred income 3,130 3,665 Debt finance 182,348 92,493 Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities 514,210 372,269 Non-current liabilities 514,210 372,269 Non-current liabilities 696 631 Deferred tax liabilities 280,302 287,526 Other non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) <td< td=""><td>Intangible assets</td><td>(4,472)</td><td>(1,893)</td></td<>	Intangible assets	(4,472)	(1,893)
Liabilities and shareholders' equity Current liabilities: Trade accounts payable 140,145 117,059 Bank customer accounts 16,010 6,857 Amounts payable to related parties 33,732 35,715 Income taxes payable 1,752 8,466 Other taxes and social security payable 21,997 22,363 Deferred income 3,130 3,665 Debt finance 182,348 92,493 Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities 514,210 372,269 Non-current liabilities 514,210 372,269 Non-current liabilities 280,302 287,526 Other non-current liabilities 280,302 287,526 Other non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 33,895 35,815 Shareholders' equity: 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 <td>Total non-current assets</td> <td>2,196,264</td> <td>2,072,072</td>	Total non-current assets	2,196,264	2,072,072
Current liabilities:Trade accounts payable $140,145$ $117,059$ Bank customer accounts $16,010$ $6,857$ Amounts payable to related parties $33,732$ $35,715$ Income taxes payable $1,752$ $8,466$ Other taxes and social security payable $21,997$ $22,363$ Deferred income $3,130$ $3,665$ Debt finance $182,348$ $92,493$ Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities $114,194$ $84,398$ Total current liabilities $514,210$ $372,269$ Non-current liabilities 696 631 Deferred tax liabilities 696 631 Deferred tax liabilities $280,302$ $287,526$ Other non-current liabilities $33,895$ $35,815$ Shareholders' equity: $33,895$ $35,815$ Share capital $3,311,129$ $3,311,129$ Revaluation reserve $782,446$ $832,048$ Accumulated deficit $(1,485,164)$ $(1,769,926)$ Total shareholders' equity $2,608,411$ $2,373,251$	Total assets	3,554,471	3,189,214
Bank customer accounts 16,010 $6,857$ Amounts payable to related parties $33,732$ $35,715$ Income taxes payable $1,752$ $8,466$ Other taxes and social security payable $21,997$ $22,363$ Deferred income $3,130$ $3,665$ Debt finance $182,348$ $92,493$ Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities $114,194$ $84,398$ Total current liabilities $514,210$ $372,269$ Non-current liabilities $280,302$ $287,526$ Other non-current liabilities $280,302$ $287,526$ Other non-current liabilities $397,955$ $407,879$ Minority interest $33,895$ $35,815$ Shareholders' equity: $33,11,129$ $3,311,129$ Revaluation reserve $782,446$ $832,048$ Accumulated deficit $(1,485,164)$ $(1,769,926)$ Total shareholders' equity $2,608,411$ $2,373,251$			
Amounts payable to related parties $33,732$ $35,715$ Income taxes payable $1,752$ $8,466$ Other taxes and social security payable $21,997$ $22,363$ Deferred income $3,130$ $3,665$ Debt finance $182,348$ $92,493$ Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities $114,194$ $84,398$ Total current liabilities $514,210$ $372,269$ Non-current liabilities $514,210$ $372,269$ Non-current liabilities 696 631 Deferred tax liabilities $280,302$ $287,526$ Other non-current liabilities $397,955$ $407,879$ Minority interest $33,895$ $35,815$ Share capital $3,311,129$ $3,311,129$ Revaluation reserve $782,446$ $832,048$ Accumulated deficit $(1,485,164)$ $(1,769,926)$ Total shareholders' equity $2,608,411$ $2,373,251$	Trade accounts payable	140,145	117,059
Income taxes payable $1,752$ $8,466$ Other taxes and social security payable $21,997$ $22,363$ Deferred income $3,130$ $3,665$ Debt finance $182,348$ $92,493$ Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities $114,194$ $84,398$ Total current liabilities $514,210$ $372,269$ Non-current liabilities 696 631 Debt finance $71,778$ $83,859$ Lease liabilities 696 631 Deferred tax liabilities $280,302$ $287,526$ Other non-current liabilities $45,179$ $35,863$ Total non-current liabilities $397,955$ $407,879$ Minority interest $33,3895$ $35,815$ Share capital $3,311,129$ $3,311,129$ Revaluation reserve $782,446$ $832,048$ Accumulated deficit $(1,485,164)$ $(1,769,926)$ Total shareholders' equity $2,608,411$ $2,373,251$	Bank customer accounts	16,010	6,857
Other taxes and social security payable $21,997$ $22,363$ Deferred income $3,130$ $3,665$ Debt finance $182,348$ $92,493$ Lease liabilities 717 689 Dividends payable 185 564 Other current liabilities $114,194$ $84,398$ Total current liabilities $514,210$ $372,269$ Non-current liabilities $514,210$ $372,269$ Non-current liabilities 696 631 Debt finance $71,778$ $83,859$ Lease liabilities $280,302$ $287,526$ Other non-current liabilities $397,955$ $407,879$ Minority interest $33,895$ $35,815$ Share capital $3,311,129$ $3,311,129$ Revaluation reserve $782,446$ $832,048$ Accumulated deficit $(1,485,164)$ $(1,769,926)$ Total shareholders' equity $2,608,411$ $2,373,251$			
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Other current liabilities 114,194 84,398 Total current liabilities 514,210 372,269 Non-current liabilities: Debt finance 71,778 83,859 Lease liabilities 696 631 Deferred tax liabilities 280,302 287,526 Other non-current liabilities 45,179 35,863 Total non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251			
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Non-current liabilities: Debt finance 71,778 83,859 Lease liabilities 696 631 Deferred tax liabilities 280,302 287,526 Other non-current liabilities 45,179 35,863 Total non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251			
Debt finance 71,778 83,859 Lease liabilities 696 631 Deferred tax liabilities 280,302 287,526 Other non-current liabilities 45,179 35,863 Total non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251	Total current habilities	514,210	572,209
Lease liabilities 696 631 Deferred tax liabilities 280,302 287,526 Other non-current liabilities 45,179 35,863 Total non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251			
Deferred tax liabilities 280,302 287,526 Other non-current liabilities 45,179 35,863 Total non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251			<i>,</i>
Other non-current liabilities 45,179 35,863 Total non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251			
Total non-current liabilities 397,955 407,879 Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251			
Minority interest 33,895 35,815 Shareholders' equity: 3,311,129 3,311,129 3,311,129 Share capital 3,311,129 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251	Other non-current liabilities	45,179	35,863
Shareholders' equity: 3,311,129 3,311,129 Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251	Total non-current liabilities	397,955	407,879
Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251	Minority interest	33,895	35,815
Share capital 3,311,129 3,311,129 Revaluation reserve 782,446 832,048 Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251	Shareholders' equity:		
Accumulated deficit (1,485,164) (1,769,926) Total shareholders' equity 2,608,411 2,373,251		3,311,129	3,311,129
Total shareholders' equity 2,608,411 2,373,251	Revaluation reserve	782,446	832,048
	Accumulated deficit	(1,485,164)	(1,769,926)
Total liabilities and shareholders' equity3,554,4713,189,214	Total shareholders' equity	2,608,411	2,373,251
	Total liabilities and shareholders' equity	3,554,471	3,189,214

These financial statements were approved by the Board of Directors on December 1, 2003

Condensed special purpose consolidated statement of operations Six months ended June 30, 2003

(Amounts expressed in thousands of US dollars, except shares and earnings per share)

	Six months June 30, 2003	Six months June 30, 2002
Sales		
Sales - external Sales - to related parties	1,448,765 84,478	880,398 89,284
	1,533,243	969,682
Cost of sales	(937,119)	(717,617)
Gross profit	596,124	252,065
Indirect taxes & contributions	(12,000)	(21,597)
Selling, general & administration expenses	(58,319)	(44,579)
Distribution expenses	(158,429)	(127,699)
Other operating income	10,925	2,548
Other operating expenses	(5,230)	(14,853)
Net expenses with insurance operations	(10,897)	(1,333)
Net income from banking operations	516	1,560
Net income/(expense) from securities operations	13,704	(7,789)
Profit from operations	376,394	38,323
Non-operating expenses	(16,110)	(17,051)
Impairment loss	(1,110)	(5,426)
Amortization of goodwill	83	223
Share of associates income	-	(522)
Profit before financing and taxation	359,257	15,547
Net financing expense	(2,083)	(8,395)
Profit before income tax	357,174	7,152
Income tax expense	(86,478)	(10,106)
Profit/(loss) for the year	270,696	(2,954)
Profit attributable to minorities	(1,096)	(535)
Profit/(loss) attributable to shareholders	269,600	(3,489)
Weighted average number of shares outstanding during the year	22 074 192	22 074 102
shares outstanding during the year	22,074,192	22,074,192
Basic and diluted earnings per share	12.21	(0.16)

Condensed special purpose consolidated statement of cash flows Six months ended June 30, 2003 (Amounts expressed in thousands of US dollars)

Operating activities: Profit before financing and taxation 359,257 15,547 Adjustments to reconcile profit to cash provided by operating activities: Depreciation of property, plant & equipment 111,211 100,598 Asset impairment 1,110 5,506 (189) Asset impairment 4,251 14,524 Loss on disposal of intancial assets 8 67 Loss on disposal of intancial assets 9(3) (122) Adjustment of financial assets to fair value (13,944) (5,097) Share of associates income - 522 Baak loan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) 4,170 Bank loan loss provisions (14,168) (4,444) (3,444) VA recoverable (4,464) (4,444) VA recoverable (4,464) (4,429) Trade accounts receivable form related parties (14,168) (4,429) Trade accounts payable 21,812 53,574<		Six months June 30, 2003	Six months June 30, 2002
Depreciation of property, plant & equipment 111.211 100.598 Amortization of intargible assets (52) (53) Asset impairment 1,110 5.506 Foreign exchange loss/(gain) (33.881) 17.630 Loss on disposal of intangible assets 8 67 Loss on disposal of financial assets to fair value (13.944) (5.097) Adjustment of financial assets to fair value (13.944) (5.097) Adjustment of financial assets to fair value 35 (461) Changes in operating assets and liabilities: 865 (179) Provision for doubrul accounts receivable (28.252) (3.665) Amounts receivable from related parties (14,168) (3.446) VAT recoverable (28.252) (3.665) Amounts receivable from related parties (14,168) (24.429) Trade accounts receivable 21.812 35.74 Bank caustomer accounts 9.153 1.013 Amounts receivable from related parties (1,983) 15.633 Other current labilities 29.160 9.464 <t< td=""><td></td><td>359,257</td><td>15,547</td></t<>		359,257	15,547
Amortization of intangible assets (52) (18) Asset impairment 1.110 5.506 Foreign exchange loss/(gain) (33,881) 17,630 Loss on disposal of intangible assets 8 67 Loss on disposal of intancial assets (93) (12) Adjustment of financial assets to fair value (13,944) (5,097) Share of associates income - 522 Bank loan loss provisions 865 (179) Provision for doubtful accounts receivable (3,846) 4,170 Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) (4,744) VAT recoverable (4,464) (34,169) (578) Trade accounts receivable from related parties (14,168) (43,444) VAT recoverable (4,464) (34,169) Inventories (9,832) 30,493 Lease receivable from related parties (14,168) (17,91) Short term bank deposits (4,059) (14,29) Trade accounts payable 21,812 53,574 Bank custo	Adjustments to reconcile profit to cash provided by operating ac	ctivities:	
Amortization of intangible assets (52) (110) Asset impairment 1.110 5.506 Foreign exchange loss/(gain) (33.881) 17.630 Loss on disposal of intangible assets 8 67 Loss on disposal of intancial assets 8 67 Loss on deconsolidation of OAO Pensionat Sheksna - 496 Profit to disposal of financial assets to fair value (13,944) (5,097) Share of associates income - 522 Bank loan loss provisions 865 (179) Provision for doubtful accounts receivable (38,46) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (43,444) VAT recoverable (4,464) (34,169) Inventories (9,852) 30,493 Lease receivable from related parties (1,68) (1,53) Inventories (9,852) 1,013 Amounts payable 21,812 55,574 Bank customer accounts			100,598
Foreign exchange loss/(gain) (33,81) 17,630 Loss on disposal of intangible assets 8 67 Loss on deconsolidation of OAO Pensionat Sheksna - 496 Profit to disposal of financial assets to fair value (13,944) (5,097) Share of associates income - 522 Bank loan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (4,464) (34,144) VAT recoverable (4,464) (34,149) VAT recoverable (4,464) (34,142) VAT recoverable (28,252) (3,665) (1,912) Short error nassets (5,652) (1,912) Short error assets (5,652) (1,912) Short error bank deposits (4,059) (24,429) Trade accounts payable 21,812 35,533 1,013 Amounts payable to related parties (1,943) 1,033	Amortization of intangible assets	(52)	
Loss on disposal of property, plant & equipment 4,251 14,324 Loss on disposal of intancial assets 8 67 Loss on deconsolidation of OAO Pensionat Sheksna - 496 Profit on disposal of financial assets (93) (122) Adjustment of financial assets to fair value (13,944) (5,097) Share of associates income - 522 Bank lon loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: - 522 Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (14,168) Inventories (9,832) 30,493 Lease receivables 239 409 Other current assets (5,652) (19,12) Short term bank deposits (1,033) 15,633 Other current liabilities 10,325 10,133 Amounts payable to related pa		1,110	
Loss on disposal of intangible assets 8 67 Loss on deconsolidation of OAO Pensionat Sheksna - 496 Profit on disposal of financial assets to fair value (13,944) (5,097) Share of associates income - 522 Bank Ioan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (61) Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (43,444) VAT recoverable (4,464) (4,464) VAT recoverable (4,464) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts (5,652) (1,912) Short term bank deposits (1,983) 1,013 Amounts payable to related parties (1,983) 1,633 1,013 Amounts payable to related parties (1,983) 1,633 1,013 Amounts payable to related parties (1,	Foreign exchange loss/(gain)	(33,881)	17,630
Loss on deconsolidation of OAO Pensional Sheksna - 496 Profit on disposal of financial assets to fair value (13,944) (5,097) Share of associates income - 522 Bank hoan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: - 6252 Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (4,464) (3,441) VAT recoverable (4,464) (3,449) Inventories (9,832) (30,493) Lease receivables 239 409 Other current assets (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,160 9,044 Other current liabilities 10,256 (5,083) 10,256 (5,083) Other current liabilities 29,160 9,044 0,044 0,1174	Loss on disposal of property, plant & equipment	4,251	14,524
Profit on disposal of financial assets to fair value (13,944) (50,97) Share of associates income - 522 Bank loan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (4,444) (34,144) VAT recoverable (4,464) (34,144) VAT recoverable (28,252) (3,665) Amounts payable science (23,9) 409 Other current tassets (5,652) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other current liabilities 29,160 9,044 (1,174) Other current liabilities 29,160 9,044 Other current	Loss on disposal of intangible assets	8	67
Adjustment of financial assets to fair value (13,944) (5,097) Share of associates income 522 Bank loan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: 865 (179) Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (43,441) VAT recoverable (28,252) (3,665) Inventories (9,832) 30,493 Lease receivables 239 409 Other current assets (1,562) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,813 1,013 Amounts payable to related parties (1,983) 1,633 Other current tasolitisci (9,444) (14,485 Defered income (694) (1,174) Other current tiabilities 10,256 (5,083) Lease traceived (excluding banking o	Loss on deconsolidation of OAO Pensionat Sheksna	-	496
Share of associates income - 522 Bank loan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable (28,252) (3,665) (4,464) (34,144) VAT recoverable (4,464) (34,149) (24,232) (24,429) Inventories (9,832) 30,493 Lease receivables (23,949) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other taxes and social security payable 19,446 14,445 Deferred income (64) (1,174) Other taxes and social security payable 19,446 14,455 Deferred income (19,430) (10,57) (11,962) 163,209 Interest received (excluding banking operatio	Profit on disposal of financial assets	(93)	(122)
Bank loan loss provisions 865 (179) Provision for doubtful accounts receivable 35 (461) Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (3,665) Armounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (43,441) VAT recoverable (9,832) 30,493 Lease receivables 239 409 Other current assets (5,652) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,163 1,613 Amounts payable to related parties (1,983) 15,633 Other taxes and social security payable 19,453 10,635 Deferred income (694) (1,174) Other non-current liabilities 10,256 (5,083) Interest received (excluding banking operations) 10,384 2,452 Int	Adjustment of financial assets to fair value	(13,944)	(5,097)
Provision for d'ubtful accounts receivable 35 (461) Changes in operating assets and liabilities: Reserves at Central Bank of Russia (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (43,444) (34,169) Inventories (9,832) 30,493 Lease receivables 239 409 Other current assets (5,652) (1,174) 5,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 1,5,633 Other taxes and social security payable 19,446 14,485 Deferred income (694) (1,174) Other current liabilities 29,160 9,044 Other current liabilities 10,256 (5,083) Cash generated from operations 10,384 2,452 Interest received (excluding banking operations) 10,384 2,452 116,020 Income tax paid (106,048) (30,000) Net cash provided from operating activities 233,243 123,699		-	522
Changes in operating assets and liabilities: (3,846) 4,170 Banking assets (56,619) (578) Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (43,444) VAT recoverable (44,64) (34,149) Iventories (9,832) 30,493 Lease receivables (28,52) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other taxes and social security payable 19,446 14,485 Deferred income (694) (1,174) Other non-current liabilities 10,256 (5,083) Cash generated from operations 10,384 2,452 Interest paid (excluding banking operations) 10,384 2,452 Income tax paid (106,048) (30,000) Net cash provided from operating activities 283,243 123,699 Investing activities: (393) (3,226) 7,500 <td>Bank loan loss provisions</td> <td>865</td> <td>(179)</td>	Bank loan loss provisions	865	(179)
Reserves at Central Bank of Russia (3.846) 4,170 Banking assets (56.619) (578) Trade accounts receivable (28.252) (3.665) Amounts receivable from related parties (14,168) (34,44) VAT recoverable (4,464) (34,149) Inventories (9.832) 30.493 Lease receivables 239 409 Other current assets (5,652) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other taxes and social security payable 19,446 14,485 Deferred income (694) (1,174) Other ono-current liabilities 10,256 (5,083) Cash generated from operations 10,384 2,452 Interest received (excluding banking operations) 10,384 2,452 Interest paid (excluding banking operations) 10,384 2,261 Inte	Provision for doubtful accounts receivable	35	(461)
Banking assets (56,619) (57.8) Trade accounts receivable from related parties (14,168) (43,444) VAT recoverable (4,464) (34,169) Inventories (9,832) 30,493 Lease receivables (23,9 409 Other current assets (5,652) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other current liabilities 29,160 9,044 Other non-current liabilities 29,160 9,044 Other non-current liabilities 10,256 (5,083) Cash generated from operations 10,384 2,452 Interest paid (excluding banking operations) 10,384 2,452 </td <td>Changes in operating assets and liabilities:</td> <td></td> <td></td>	Changes in operating assets and liabilities:		
Trade accounts receivable (28,252) (3,665) Amounts receivable from related parties (14,168) (43,444) VAT recoverable (4,464) (34,169) Inventories (9,832) 30,493 Lease receivables 239 409 Other current assets (5,652) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other taxes and social security payable 19,446 14,485 Deferred income (694) (1,174) Other non-current liabilities 10,256 (5,083) Cash generated from operations 10,384 2,452 Interest received (excluding banking operations) 10,384 2,452 Income tax paid (106,048) (30,000) Net cash provided from operating activities 283,243 123,699 Inversting activities: (393) (3,226) Proceeds from disposal of property, plant & equipment 2,261 7,060 <td>Reserves at Central Bank of Russia</td> <td>(3,846)</td> <td>4,170</td>	Reserves at Central Bank of Russia	(3,846)	4,170
Amounts receivable from related parties $(14,168)$ $(43,444)$ VAT recoverable $(4,464)$ $(34,169)$ Inventories $(9,832)$ $30,493$ Lease receivables 239 409 Other current assets $(5,652)$ $(1,912)$ Short tern bank deposits $(4,059)$ $(24,429)$ Trade accounts payable $21,812$ $53,574$ Bank customer accounts $9,153$ $1,013$ Amounts payable to related parties $(1,983)$ $15,5633$ Other taxes and social security payable $19,446$ $14,485$ Deferred income (694) $(1,174)$ Other current liabilities $29,160$ $9,044$ Other non-current liabilities $10,256$ $(5,083)$ Cash generated from operations $10,384$ $2,452$ Interest paid (excluding banking operations) $10,384$ $2,452$ Interest received from operating activities $283,243$ $123,699$ Investing activities: $29,223$ $(18,058)$ Proceeds from disposa	Banking assets	(56,619)	(578)
VAT recoverable $(4,464)$ $(34,169)$ Inventories $(9,832)$ $30,493$ Lease receivables 239 409 Other current assets $(4,059)$ $(24,429)$ Trade accounts payable $21,812$ $53,574$ Bank customer accounts $9,153$ $1,013$ Amounts payable to related parties $(1,983)$ $15,633$ Other taxes and social security payable $19,446$ $14,485$ Deferred income (694) $(1,174)$ Other non-current liabilities $10,256$ $(5,083)$ Cash generated from operations $389,264$ $163,209$ Interest received (excluding banking operations) $10,384$ 2.452 Interest received (excluding banking operations) $10,384$ 2.452 Interest received (excluding banking operations) $10,384$ 2.452 Income tax paid $(106,048)$ $(30,000)$ Net cash provided from operating activities $283,243$ $123,699$ Investing activities: $(282,353)$ $(146,645)$ Proceeds from disposal of property, plant & equipment 2.261 7.060 <td>Trade accounts receivable</td> <td>(28,252)</td> <td>(3,665)</td>	Trade accounts receivable	(28,252)	(3,665)
Inventories (9,832) 30,493 Lease receivables 239 409 Other current assets (5,652) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other taxes and social security payable 19,446 14,485 Deferred income (694) (1,174) Other current liabilities 29,160 9,044 Other ourrent liabilities 10,256 (5,083) Cash generated from operations 10,384 2,452 Interest received (excluding banking operations) 10,384 2,452 Interest paid (excluding banking operations) (106,048) (30,000) Net cash provided from operating activities 283,243 123,699 Investing activities: (39) (3,226) Proceeds from disposal of property, plant & equipment (81,324) (74,474) Additions to financial assets 291,823 107,53	Amounts receivable from related parties	(14,168)	(43,444)
Lease receivables239409Other current assets $(5,652)$ $(1,912)$ Short term bank deposits $(4,059)$ $(24,429)$ Trade accounts payable $21,812$ $53,574$ Bank customer accounts $9,153$ $1,013$ Amounts payable to related parties $(1,983)$ $15,633$ Other taxes and social security payable $19,446$ $14,485$ Deferred income (694) $(1,174)$ Other current liabilities $29,160$ $9,044$ Other non-current liabilities $10,256$ $(5,083)$ Cash generated from operations $10,384$ $2,452$ Interest received (excluding banking operations) $(10,357)$ $(11,962)$ Income tax paid $(106,048)$ $(30,000)$ Net cash provided from operating activities $283,243$ $123,699$ Investing activities: (332) $(3,226)$ Proceeds from disposal of property, plant & equipment $2,261$ $7,060$ Proceeds from disposal of property, plant & equipment $2,261$ $7,060$ Proceeds from disposal of financial assets $291,823$ $107,530$ Cash used for investing activities $(282,353)$ $(146,645)$ Financing activities: -6 33 -6 Proceeds from debt finance 93 -6 Repayment of debt finance -6 $(3,226)$ Proceeds from dese finance -6 (3) Parent company dividends paid $(34,828)$ $(18,568)$ Minority capital contributions -1 $(31,824)$ </td <td>VAT recoverable</td> <td>(4,464)</td> <td>(34,169)</td>	VAT recoverable	(4,464)	(34,169)
Other current assets (5,652) (1,912) Short term bank deposits (4,059) (24,429) Trade accounts payable 21,812 53,574 Bank customer accounts 9,153 1,013 Amounts payable to related parties (1,983) 15,633 Other taxes and social security payable 19,446 14,485 Deferred income (694) (1,174) Other current liabilities 29,160 9,044 Other non-current liabilities 10,256 (5,083) Cash generated from operations 10,384 2,452 Interest received (excluding banking operations) 10,384 2,452 Interest paid (excluding banking operations) 10,384 2,452 Interest paid (excluding banking operations) (106,048) (30,000) Net cash provided from operating activities 283,243 123,699 Investing activities: (494,720) (183,535) Buy-out of minority interests (393) (3,226) Proceeds from disposal of property, plant & equipment 2,261 7,060 Proceeds from disposal o			30,493
Short term bank deposits $(4,059)$ $(24,429)$ Trade accounts payable $21,812$ $53,574$ Bank customer accounts $9,153$ $1,013$ Amounts payable to related parties $(1,983)$ $15,633$ Other taxes and social security payable $19,446$ $14,485$ Deferred income (694) $(1,174)$ Other current liabilities $29,160$ $9,044$ Other on-current liabilities $10,256$ $(5,083)$ Cash generated from operations $10,384$ $2,452$ Interest received (excluding banking operations) $(10,357)$ $(11,962)$ Income tax paid $(106,048)$ $(30,000)$ Net cash provided from operating activities $283,243$ $123,699$ Investing activities: $(494,720)$ $(183,535)$ Buy out of minority interests (393) $(3,226)$ Proceeds from disposal of property, plant & equipment $2,261$ $7,060$ Proceeds from disposal of financial assets $291,823$ $107,530$ Cash used for investing activities $(282,353)$ $(146,645)$ Financing activities: $-(3)$ $-(3)$ Proceeds from debt finance 93 $-(3)$ Proceeds from debt finance $-(3)$ $-(3)$ Proceeds from lease finance 93 $-(3)$ Proceeds from lease finance $-(3)$ $-(3)$ Proceeds from lease finance $-(3)$ $-(3)$ Parent company dividends paid $(34,828)$ $(18,568)$ Minority capital contributions $-(3)$ $-(3)$	Lease receivables	239	409
Trade accounts payable $21,812$ $53,574$ Bank customer accounts $9,153$ $1,013$ Amounts payable to related parties $(1,983)$ $15,633$ Other taxes and social security payable $19,446$ $14,485$ Deferred income (694) $(1,174)$ Other current liabilities $29,160$ $9,044$ Other non-current liabilities $10,256$ $(5,083)$ Cash generated from operations $389,264$ $163,209$ Interest received (excluding banking operations) $(10,357)$ $(11,962)$ Income tax paid $(106,048)$ $(30,000)$ Net cash provided from operating activities $283,243$ $123,699$ Investing activities: $(494,720)$ $(183,535)$ Buy-out of minority interests (393) $(3,226)$ Proceeds from disposal of frometry, plant & equipment $2,261$ $7,060$ Proceeds from disposal of property, plant & equipment $2,261$ $7,060$ Proceeds from disposal of financial assets $291,823$ $107,530$ Cash used for investing activities $(282,353)$ $(146,645)$ Financing activities: $-(3)$ $-(3)$ Proceeds from lease finance 93 $-(3)$ Proceeds from lease finance $-(3)$ $-(3)$ Parent company dividends paid $(34,828)$ $(18,568)$ Minority capital contributions $-(1,115)$ $-(3,29)$ Net increase/(decrease) in cash and cash equivalents $7,581$ $(2,329)$ Net increase/(decrease) in cash and cash equivalents $48,362$		(5,652)	(1,912)
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Income tax paid(106,048)(30,000)Net cash provided from operating activities283,243123,699Investing activities:(81,324)(74,474)Additions to property, plant & equipment(81,324)(74,474)Additions to financial assets(494,720)(183,535)Buy-out of minority interests(393)(3,226)Proceeds from disposal of property, plant & equipment2,2617,060Proceeds from disposal of financial assets291,823107,530Cash used for investing activities(282,353)(146,645)Financing activities:(84,311)(180,263)Proceeds from debt finance158,937213,632Repayment of debt finance93-Repayment of lease finance93-(3)-(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796			
Net cash provided from operating activities283,243123,699Investing activities: Additions to property, plant & equipment(81,324)(74,474)Additions to financial assets(494,720)(183,535)Buy-out of minority interests(393)(3,226)Proceeds from disposal of property, plant & equipment2,2617,060Proceeds from disposal of financial assets291,823107,530Cash used for investing activities(282,353)(146,645)Financing activities: Proceeds from debt finance158,937213,632Repayment of debt finance93-Repayment of lease finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796			
Investing activities:(81,324)(74,474)Additions to property, plant & equipment(81,324)(74,474)Additions to financial assets(494,720)(183,535)Buy-out of minority interests(393)(3,226)Proceeds from disposal of property, plant & equipment2,2617,060Proceeds from disposal of financial assets291,823107,530Cash used for investing activities(282,353)(146,645)Financing activities:(282,353)(146,645)Proceeds from debt finance158,937213,632Repayment of debt finance(84,311)(180,263)Proceeds from lease finance93-Repayment of lease finance93-Repayment of lease finance1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Income tax paid		(30,000)
Additions to property, plant & equipment(81,324)(74,474)Additions to financial assets(494,720)(183,535)Buy-out of minority interests(393)(3,226)Proceeds from disposal of property, plant & equipment2,2617,060Proceeds from disposal of financial assets291,823107,530Cash used for investing activities(282,353)(146,645)Financing activities:213,632(84,311)(180,263)Proceeds from debt finance93-Repayment of debt finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Net cash provided from operating activities	283,243	123,699
Additions to financial assets(494,720)(183,535)Buy-out of minority interests(393)(3,226)Proceeds from disposal of property, plant & equipment2,2617,060Proceeds from disposal of financial assets291,823107,530Cash used for investing activities(282,353)(146,645)Financing activities:(84,311)(180,263)Proceeds from lease finance93-Repayment of debt finance(34,828)(18,568)Minority capital contributions-(3)Parent company dividends paid(34,828)105,513Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Investing activities:		
Buy-out of minority interests (393) (3,226) Proceeds from disposal of property, plant & equipment 2,261 7,060 Proceeds from disposal of financial assets 291,823 107,530 Cash used for investing activities (282,353) (146,645) Financing activities: (282,353) (146,645) Proceeds from debt finance 158,937 213,632 Repayment of debt finance (84,311) (180,263) Proceeds from lease finance 93 - Repayment of lease finance 93 - Repayment of lease finance 1,115 Cash provided from financing activities 39,891 15,913 Effect of exchange rates on cash and cash equivalents 7,581 (2,329) Net increase/(decrease) in cash and cash equivalents 48,362 (9,362) Cash and cash equivalents at beginning of period 188,288 100,796	Additions to property, plant & equipment	(81,324)	(74,474)
Proceeds from disposal of property, plant & equipment2,2617,060Proceeds from disposal of financial assets291,823107,530Cash used for investing activities(282,353)(146,645)Financing activities:(282,353)(146,645)Proceeds from debt finance158,937213,632Repayment of debt finance(84,311)(180,263)Proceeds from lease finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Additions to financial assets		(183,535)
Proceeds from disposal of financial assets291,823107,530Cash used for investing activities(282,353)(146,645)Financing activities:(282,353)(146,645)Proceeds from debt finance158,937213,632Repayment of debt finance(84,311)(180,263)Proceeds from lease finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796		(393)	(3,226)
Cash used for investing activities(282,353)(146,645)Financing activities: Proceeds from debt finance158,937213,632Repayment of debt finance(84,311)(180,263)Proceeds from lease finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796			
Financing activities:158,937213,632Proceeds from debt finance158,937213,632Repayment of debt finance(84,311)(180,263)Proceeds from lease finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Proceeds from disposal of financial assets	291,823	107,530
Proceeds from debt finance 158,937 213,632 Repayment of debt finance (84,311) (180,263) Proceeds from lease finance 93 - Repayment of lease finance - (3) Parent company dividends paid (34,828) (18,568) Minority capital contributions - 1,115 Cash provided from financing activities 39,891 15,913 Effect of exchange rates on cash and cash equivalents 7,581 (2,329) Net increase/(decrease) in cash and cash equivalents 48,362 (9,362) Cash and cash equivalents at beginning of period 188,288 100,796	Cash used for investing activities	(282,353)	(146,645)
Proceeds from debt finance 158,937 213,632 Repayment of debt finance (84,311) (180,263) Proceeds from lease finance 93 - Repayment of lease finance - (3) Parent company dividends paid (34,828) (18,568) Minority capital contributions - 1,115 Cash provided from financing activities 39,891 15,913 Effect of exchange rates on cash and cash equivalents 7,581 (2,329) Net increase/(decrease) in cash and cash equivalents 48,362 (9,362) Cash and cash equivalents at beginning of period 188,288 100,796	Financing activities:		
Repayment of debt finance(84,311)(180,263)Proceeds from lease finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(185,668)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796		158,937	213,632
Proceeds from lease finance93-Repayment of lease finance-(3)Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796			
Parent company dividends paid(34,828)(18,568)Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Proceeds from lease finance	93	-
Minority capital contributions-1,115Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Repayment of lease finance	-	(3)
Cash provided from financing activities39,89115,913Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Parent company dividends paid	(34,828)	(18,568)
Effect of exchange rates on cash and cash equivalents7,581(2,329)Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Minority capital contributions	-	1,115
Net increase/(decrease) in cash and cash equivalents48,362(9,362)Cash and cash equivalents at beginning of period188,288100,796	Cash provided from financing activities	39,891	15,913
Cash and cash equivalents at beginning of period 188,288 100,796	Effect of exchange rates on cash and cash equivalents	7,581	(2,329)
	Net increase/(decrease) in cash and cash equivalents	48,362	(9,362)
Cash and cash equivalents at end of period 236,650 91,434	Cash and cash equivalents at beginning of period	188,288	100,796
	Cash and cash equivalents at end of period	236,650	91,434

Condensed special purpose consolidated statement of changes in shareholders' equity Six months ended June 30, 2003

(Amounts expressed in thousands of US dollars)

	Share capital	Revaluation reserve	Accumulated deficit	Total
Balances at December 31, 2001	3,311,129	949,245	(2,076,114)	2,184,260
Realization of revaluation reserve: Disposals Depreciation Deferred tax on realization Loss attributable to shareholders	- - -	(20,589) (64,597) 20,444	20,589 64,597 (20,444) (3,489)	- - (3,489)
Balances at June 30, 2002	3,311,129	884,503	(2,014,861)	2,180,771
Balances at December 31,, 2002	3,311,129	832,048	(1,769,926)	2,373,251
Dividends in respect of 2002	-	-	(34,440)	(34,440)
Realization of revaluation reserve: Disposals Depreciation Deferred tax on realization		(2,826) (62,272) 15,496	2,826 62,272 (15,496)	- -
Profit attributable to shareholders	-	-	269,600	269,600
Balances at June 30, 2003	3,311,129	782,446	(1,485,164)	2,608,411

Notes to the condensed special purpose consolidated financial statements for the six months ended June 30, 2003 (Amounts expressed in thousands of US dollars)

1. Commentary on results

The results of the six months ended June 30, 2003 reflect a significant increase in general steel prices around the world and Russia especially. Prices have risen by up to US\$ 100 per tonne compared with those during the six months ended June 30, 2002. This increase started in the third quarter of 2002 and has continued throughout 2003.

During the six months ended June 30, 2003 Severstal shipped more value added products at the expense of shipping basic products (such as slabs) and continued to develop the Russian market. As a result, during the six months ended June 30, 2003 Severstal shipped 2.5 million tonnes of rolled products to Russian customers (six months ended June 30, 2002: 2 million tonnes), and 1.8 million tonnes to international customers (six months ended June 30, 2002: 2.1 million tonnes).

The change in distribution expenses represents the combined effects of increased rail tariffs and the weakening of the US dollar against the rouble. The higher expenses from insurance operations represent the extension of the Group's insurance cover to more of its assets and operations, which are re-insured in the international markets through the Group's own insurance company.

Although steel prices have increased, Severstal has continued to control its primary cost base, hence, the increased sales prices have resulted in additional profits that have been used to continue the modernization of the Group's facilities; invest in the development of the Group's activities; pay dividends; and invest in securing supplies of raw materials.

The increase in income from securities operations reflects the weakening of the US dollar against the rouble during the six months ended June 30, 2003.

2. Accounting policies

The accounting conventions and accounting policies used in these financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2002. The special purpose basis reflects the Group structure that came into place on September 16, 2002 when the subsidiaries OAO Severstal Resource and OAO Severstal Avto were spun off by way of dividend payment. Consequently, the results for the six months ended June 30, 2002 in these special purpose consolidated financial statements present only the results of the new Group structure as if it had been in place from January 1, 2002. Accordingly, the results presented in these special purpose consolidated financial statements for the six months ended June 30, 2002 are not necessarily indicative of the results or related effects on the financial position as at that date that might have been attained had the new Group structure actually been in place before January 1, 2002.

3. Seasonality

There are no material seasonal effects in the business activities of the company.

Notes to the condensed special purpose consolidated financial statements for the six months ended June 30, 2003

(Amounts expressed in thousands of US dollars)

4. Related party balances

nateu party balances	June 30, 2003	December 31, 2002
Amounts receivable from related parties:	2005	2002
Advances paid	10,172	8,441
Trade accounts receivable	41,963	33,436
Other receivables	4,860	950
	56,995	42,827
Banking assets include loans to related party customers of	20,284	8,069
Current financial assets include the following balances with related parties	:	
Originated loans	133,506	129,759
Trading securities – promissory notes	79,073	64,734
Non-current financial assets include the following balances with related pa	arties:	
Originated loans	189,074	29,539
Held-to-maturity securities - promissory notes	202	477
Amounts payable to related parties:		
Advances received	1,255	1,021
Trade accounts payable	12,563	10,905
Other accounts payable	18,995	22,786
Bank demand deposits	194	307
Bank term deposits	725	696
	33,732	35,715
Debt finance includes loans received from related parties of	32,190	-

5. Related party transactions

	Six months June 30, 2003	Six months June 30, 2002	
Sales	84,478	89,284	
Purchases – non capital	240,158	134,560	
Purchases – capital	1,374	385	
Bank expenses	65	-	
Insurance claims	324	212	

6. Commitments and Contingents

The Group has provided for all significant contingent liabilities which are probable of assertion and success.

As at June 30, 2003 the Group had capital commitments of US\$ 133.9 million (December 31, 2002: US\$ 133.7 million).

At June 30, 2003 the Group had given US\$ 105.4 million (December 31, 2002: US\$ 50.3 million) of guarantees for bank borrowings, of which US\$ 11.0 million (December 31, 2002: US\$ 16.9 million) were in respect of related parties. All these guarantees mature within one year.

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Severstal

Notes to the condensed special purpose consolidated financial statements for the six months ended June 30, 2003

(Amounts expressed in thousands of US dollars)

7. Segmental information – Statement of operations

Μ	etallurgical	Banking	Insurance	Inter segment transactions	Total
Six months ended June 30, 2003:					
Net sales	1,533,243	-	-	-	1,533,243
Profit before financing and taxation	349,378	1,866	7,775	238	359,257
Six months ended June 30, 2002:					
Net sales	969,682	-	-	-	969,682
Profit before financing and taxation	9,709	593	4,210	1,035	15,547

8. Post balance sheet events

On November 12, 2003 ZAO Severgal received the first tranch (US\$ 10 million) of the US\$ 90 million loan agreed in February 2003 with the European Bank for Reconstruction and Development to finance its production equipment construction. The loan is fully repayable in 2011 and carries an interest of 4.25% plus margin estimated on the basis of market indices. The effective interest rate is expected to be between 7% and 8% per annum. This loan is guaranteed by Severstal and the minority shareholder of ZAO Severstal.

On July 3, 2003 Severstal issued three million four year interest-bearing non-convertible Rouble bonds with a nominal value of Rbs 1,000 each. The bonds, issued on the Moscow International Currency Exchange (MICEX), carry a coupon of 9.75% payable twice a year. The interest rate for the first four coupons was determined by auction on the day of issue, and the interest rate for the last four coupons will be determined by Severstal based on prevailing market conditions.

On September 15, 2003, Severstal's shareholders approved the payment of an interim dividend of Rbs 194.00 per share in respect the results of the first half of 2003.

During September and October 2003 OAO Ulyanovski Automotive Plant, a related party, repaid to Severstal loans and promissory notes totaling US\$ 65.2 million.

In October 2003, Severstal's Board of Directors proposed the payment of an interim dividend of Rbs 205.00 per share in respect the results of the third quarter of 2003.

In October 2003, the Group purchased 100% of the share capital of OOO UralMash-Metallurgical Oborudovanie for US\$ 14 million.

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