SEVERSTAL

Parent company financial statements
for the year ended December 31, 2001

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for the year ended December 31, 2001

Contents

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Auditor's Report

To the Board of Directors and Shareholders
OAO Severstal
Cherepovets, Russian Federation

We have audited the accompanying parent company balance sheet of OAO Severstal (the "Company") as of 31 December 2001 and the related statements of operations, changes in equity and cash flows for the year then ended. The parent company financial statements, as set out on pages 2 to 28, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Company has subsidiary companies and is required by International Accounting Standard 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* to prepare consolidated financial statements. As described in note 2 to the parent company financial statements, management has not prepared consolidated financial statements.

In our opinion, except for the omission of consolidated financial statements as described in the preceding paragraph, the parent company financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2001 and the results of its operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

KPMG Limited.

KPMG Limited
Moscow, Russian Federation
7 August 2002

Severstal

Parent company balance sheet
December 31, 2001
(Amounts expressed in thousands of US dollars)

	Note	December 31 2001	2000	1999
Assets				
Current assets:				
Cash and cash equivalents	11	57,106	309,275	131,507
Short term investments and loans receivable	12	155,461	133,223	10,980
Trade accounts receivable	13	30,690	28,980	29,958
Amounts receivable from related parties	14	158,864	117,130	29,852
VAT recoverable		30,282	25,940	20,540
Inventories	15	150,521	178,127	122,908
Income taxes recoverable		2,317	-	-
Other current assets	16	85,758	49,467	55,789
Total current assets		670,999	842,142	401,534
Noncurrent assets:				
Property, plant & equipment	17	1,924,576	1,045,541	1,112,944
Long term investments and loans receivable	18	190,940	81,932	58,271
Total noncurrent assets		2,115,516	1,127,473	1,171,215
Total assets		2,786,515	1,969,615	1,572,749

The accompanying accounting policies and notes on pages 7 to 28
form an integral part of these financial statements.

Severstal

Parent company balance sheet
December 31, 2001
(Amounts expressed in thousands of US dollars)

	Note	December 31 2001	2000	1999
Liabilities and shareholders' equity				
Current liabilities:				
Trade accounts payable		79,098	44,114	60,425
Amounts payable to related parties	19	17,083	17,353	26,378
Income taxes payable		-	6,734	9,989
Other taxes and social security payable		24,274	15,796	13,612
Deferred income		5,906	7,373	8,243
Short term loans	21	70,502	27,689	37,083
Dividends payable		19,352	-	-
Other current liabilities	20	46,409	48,867	68,160
Total current liabilities		262,624	167,926	223,890
Noncurrent liabilities:				
Long term loans	21	62,256	34,335	310
Deferred tax	10	322,421	169,737	203,054
Other noncurrent liabilities	23	28,935	25,938	26,496
Total noncurrent liabilities		413,612	230,010	229,860
Shareholders' equity:				
Share capital	24	3,311,129	3,311,129	3,311,129
Revaluation reserve		949,245	-	-
Accumulated deficit		(2,150,095)	(1,739,450)	(2,192,130)
Total shareholders' equity		2,110,279	1,571,679	1,118,999
Total liabilities and shareholders' equity		2,786,515	1,969,615	1,572,749

These financial statements were approved by the Board of Directors on August 7, 2002

The accompanying accounting policies and notes on pages 7 to 28 form an integral part of these financial statements.

Severstal

Parent company statement of operations
Year ended December 31, 2001
(Amounts expressed in thousands of US dollars, except shares and earnings per share)

	Note	Year ended December 31 2001	2000	1999
Sales				
Sales - external		1,108,103	1,360,084	1,302,598
Sales - to related parties	14	681,034	713,086	166,393
	4	1,789,137	2,073,170	1,468,991
Cost of sales		(1,463,476)	(1,167,879)	(956,365)
Gross profit		325,661	905,291	512,626
Indirect taxes & contributions		(32,924)	(38,825)	(30,648)
Selling, general & administration expenses		(97,733)	(47,729)	(47,776)
Distribution costs		(83,983)	(105,789)	(87,283)
Other operating income	5	3,248	2,042	15,500
Other operating expenses	6	(22,188)	(20,860)	(51,691)
Profit from operations		92,081	694,130	310,728
Nonoperating expenses	8	(255,468)	(51,120)	(42,596)
Impairment loss	17	(384,481)	-	-
Profit/(loss) before financing and taxation		(547,868)	643,010	268,132
Net financing income/(expenses)	9	(12,240)	5,690	(23,751)
Profit/(loss) before income tax		(560,108)	648,700	244,381
Income tax benefit/(expense)	10	93,232	(196,020)	(69,738)
Profit/(loss) for the year		(466,876)	452,680	174,643
Weighted average number of shares outstanding during the year		22,074,192	22,074,192	22,074,192
Basic and diluted profit/(loss) per share		(21.15)	20.51	7.91

The accompanying accounting policies and notes on pages 7 to 28 form an integral part of these financial statements.

Severstal

Parent company statement of cash flows
Year ended December 31, 2001
(Amounts expressed in thousands of US dollars)

	Year ended December 31		
	2001	**2000**	**1999**
Operating activities:			
Profit before financing and taxation	(547,868)	643,010	268,132
Adjustments to reconcile profit to			
cash provided by operating activities:			
Depreciation (total assets)	191,611	125,960	122,689
Foreign exchange loss/(gain)	1,430	570	(8,871)
Impairment loss	384,481	-	-
Restructuring loss	136,007	-	-
Write down of construction-in-progress	1,520	33,835	30,118
Loss on disposal of property, plant & equipment	18,331	3,343	14,807
Loss on disposal of noncurrent investments	4	-	-
Write down of noncurrent investments	54,965	16,098	26,675
Provision for doubtful accounts receivable	(2,402)	(6,357)	(3,965)
Changes in operating assets and liabilities:			
Short term investments and loans receivable	(39,618)	(130,136)	(13,809)
Trade accounts receivable	692	7,335	15,577
Amounts receivable from related parties	(41,734)	(87,278)	19,886
Inventories	27,676	(54,945)	43,539
VAT recoverable	(5,978)	(6,660)	9,149
Other taxes and social security payable	(10,625)	5,533	(45,290)
Other current assets	(20,263)	1,946	(33,547)
Trade accounts payable	34,984	(16,311)	(15,198)
Amounts payable to related parties	(270)	(9,025)	(249)
Deferred income	(1,067)	(25)	2,481
Other current liabilities	(2,042)	(18,984)	(26,652)
Other noncurrent liabilities	4,490	533	1,470
Cash generated from operations	184,324	508,442	406,942
Interest received	11,234	18,063	5,286
Interest paid	(6,709)	(6,956)	(32,454)
Income tax paid	(108,628)	(232,592)	(132,004)
Net cash provided from operating activities	80,221	286,957	247,770
Investing activities:			
Additions to property, plant & equipment	(80,494)	(96,952)	(47,762)
Additions to long term investments and loans receivable	(299,351)	(39,759)	(8,527)
Proceeds from disposal of long term investments	65	-	-
Proceeds from disposal of property, plant & equipment	1,278	943	11,950
Cash used for investing activities	(378,502)	(135,768)	(44,339)
Financing activities:			
Repayment of short term loans	(98,552)	(6,918)	(89,659)
Proceeds from long term loans	169,901	34,025	262
Dividends paid	(24,976)	-	-
Cash provided from (used by) financing activities	46,373	27,107	(89,397)
Effect of exchange rates on cash	(261)	(528)	(2,026)
Net (decrease)/increase in cash and cash equivalents	(252,169)	177,768	112,008
Cash and cash equivalents at beginning of year	309,275	131,507	19,499
Cash and cash equivalents at end of year	57,106	309,275	131,507

The accompanying accounting policies and notes on pages 7 to 28 form an integral part of these financial statements.

Severstal

Parent company statement of changes in shareholders' equity
Year ended December 31, 2001
(Amounts expressed in thousands of US dollars)

	Share capital	Revaluation reserve	Accumulated deficit	Total
Balances at December 31, 1998	3,311,129	-	(2,366,773)	944,356
Profit for the year	-	-	174,643	174,643
Balances at December 31, 1999	3,311,129	-	(2,192,130)	1,118,999
Profit for the year	-	-	452,680	452,680
Balances at December 31, 2000	3,311,129	-	(1,739,450)	1,571,679
Dividends declared in respect of 2000	-	-	(45,561)	(45,561)
Revaluation of property, plant & equipment:				
- revaluation	-	1,410,030	-	1,410,030
- deferred tax on the revaluation	-	(437,109)	-	(437,109)
Realization of revaluation reserve:				
- disposals	-	(13,614)	13,614	-
- depreciation	-	(133,910)	133,910	-
- deferred tax on realization	-	45,732	(45,732)	-
Impairment of property, plant & equipment:				
- impairment	-	(13,500)	-	(13,500)
- deferred tax on impairment	-	4,185	-	4,185
Effect of change in deferred tax rate	-	87,431	-	87,431
Loss for the year	-	-	(466,876)	(466,876)
Balances at December 31, 2001	3,311,129	949,245	(2,150,095)	2,110,279

The accompanying accounting policies and notes on pages 7 to 28
form an integral part of these financial statements.

Severstal

Notes to the parent company financial statements
(Amounts expressed in thousands of US dollars)

1. Operations

Severstal ('the Company') began operations on August 24, 1955 and completed the development of an integrated iron and steel mill in Cherepovets during February 1959 when the first steel was rolled. On September 24, 1993, as part of the Russian privatization program, the Company was registered as a Joint Stock Company and privatized. The Company's registered office is located at Ul. Mira 30, Cherepovets, Russia. The Company's shares are quoted on the Russian Trading System, and the significant shareholders at the year end were as follows:

ZAO Severstal-Garant	43.72%
ZAO Severstal-Invest	19.86%
AA Mordashov (General Director)	16.63%

The Company's principal activity is the production and sale of steel products. The Company also has various social responsibilities such as the operation and maintenance of sports complexes, holiday and recreational facilities and public housing.

The Company is wholly based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. These conditions and future policy changes could affect the operations of the Company and the realization and settlement of its assets and liabilities.

The Company's exports of rolled steel have been considered as part of several anti-dumping investigations. The Company has taken steps to address the concerns of such investigations and participates actively in their resolution.

2. Presentation of the financial statements

These financial statements were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, except that consolidated financial statements have not been prepared (see below), and are prepared under the historic cost convention as modified by the revaluation of certain property, plant and equipment (see below). The Company's statutory financial reports are prepared in accordance with accounting principles derived from Russian law, which differ in certain respects from IFRS. The accounting policies applied in the preparation of these financial statements are set out in note 3.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making such estimates, the actual results reported in future periods may be based upon amounts that differ from those estimates.

The national currency of the Russian Federation is the rouble. The measurement and presentation currency used in the preparation of these financial statements is the United States dollar ('US dollar'). Management have determined the US dollar to be the measurement currency because they consider that the US dollar reflects the economic substance of the underlying events and circumstances of the Company. In making this assessment, management have considered the following matters:

(Amounts expressed in thousands of US dollars)

- a significant portion of the Company's revenues are earned from exports which are invoiced and collected in US dollars;
- the Company is able to retain a significant amount of sales receipts in US dollars;
- a significant portion of the Company's property, plant and equipment purchases are imported and invoiced and settled in US dollars;
- a significant portion of financing of Company's activities is attracted in US dollars.

The rouble is not a convertible currency outside the Russian Federation and, accordingly any conversion of rouble amounts to US dollars should not be construed as a representation that rouble amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rates used, or at any other exchange rate.

The Company has not prepared audited consolidated financial statements. To present the results of the group as if it was a single entity, consolidated financial statements would combine, on a line-by-line basis, the financial statements of all controlled entities, followed by the elimination of intra-group transactions and balances, the identification of minority interests and goodwill relating to those entities, and the recognition of the carrying value of investments in associates under the equity method.

To improve presentation, charitable donations, exchange losses on promissory notes etc and losses on noncurrent investments were reclassified in 2001, the corresponding comparatives were also reclassified. The reclassifications being as follows:

	2001	2000	1999
Cost of sales	11,843	2,344	(3,297)
Other operating expenses	49,273	816	11,283
Nonoperating expenses	(104,242)	(16,914)	(29,620)
Net financing expenses	43,126	13,754	21,634

3. Summary of the principal accounting policies

a. Cash and cash equivalents

Cash equivalents are all highly liquid temporary cash investments with original maturity dates of three months or less.

b. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provisions are recorded against slow moving and obsolete inventories.

c. Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

d. Foreign currency transactions

Transactions in foreign currencies are translated to US dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to US dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of operations. Nonmonetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to US dollars at the foreign exchange rate ruling at the date of the transaction. An analysis of the foreign exchange differences is given in note 27 of these financial statements.

e. Investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the statement of operations. Where the Company has the positive intent and ability to hold investments to maturity, they are stated at amortized cost less impairment losses. Other investments held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized in the statement of operations.

The fair value of investments held for trading and investments available-for-sale is their quoted bid price at the balance sheet date.

Where the fair market value is not determinable, investments are carried at cost less impairment losses.

Investments held for trading and available-for-sale investments are recognized/derecognized by the Company on the date it commits to purchase /sell the investments. Investments held-to-maturity are recognized/derecognized on the day they are transferred to/by the Company.

f. Property, plant & equipment

Property, plant & equipment is stated at fair market value as at January 1, 2001 (see note 17) plus subsequent additions at historical cost, less accumulated depreciation and provisions for impairment losses. In the case of assets constructed by the Company, related works and direct project overheads are included in cost. Repair and maintenance expenses are charged to the statement of operations as incurred. Gains or losses on disposals of property, plant & equipment are recognized in the statement of operations.

Depreciation is provided so as to write off property, plant & equipment over its expected useful life. Depreciation is calculated using the straight line basis. The estimated useful lives of assets are reviewed regularly and revised when necessary. The principal periods over which assets are depreciated using the straight line basis are as follows:

Buildings & constructions	20 – 50 years
Plant & machinery	10 – 20 years
Other productive assets	5 – 20 years
Community & infrastructure assets	5 – 50 years

As assets are depreciated or disposed of, any related revaluation surplus is considered to be realized and is transferred from the revaluation reserve to the retained earnings within the statement of changes in shareholders' equity.

g. Asset impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairment losses are recognized in the statement of operations unless they reverse a revaluation recognized directly in equity in which case the impairment losses are recognized in equity.

h. Leased assets

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

i. Indirect taxes & contributions

Indirect taxes & contributions are taxes and mandatory contributions paid to the government, or government controlled agencies, that are calculated on a variety of bases, but exclude taxes calculated on profits and value added taxes calculated on revenues and purchases.

j. Income tax

Income tax on the profit for the year comprises current and deferred tax. Current tax expense is calculated on the pretax income determined in accordance with Russian tax law, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which these assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized in respect of the following:

- investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future;
- if it arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction affects neither accounting profit nor taxable profit/losses.

k. Loans

Loans are stated at amortized cost and include accrued interest at the balance sheet date. The difference between cost and redemption value is recognized in the statement of operations for the period of the borrowings on an effective interest basis. Borrowing costs on loans specifically for the purchase or construction of property, plant & equipment are capitalized as part of the cost of the asset they are financing. All other borrowing costs are recognized as an expense in the period in which they are incurred.

l. Revenue recognition

Revenue from the sale of goods is recognized in the statement of operations when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or if there is a possibility that the goods may be returned. Sales include all amounts billed to customers and are stated net of taxes.

m. Retirement benefits

The Company voluntarily pays a charitable retirement benefit to former employees of up to US$ 14.93 (Rbs 450.00 as at December 31, 2001) (2000: US$ 10.65; 1999: US$ 9.26) per month, dependent on the employee’s length of service. With effect from January 1, 1999 the company adopted the provisions of IAS 19 (revised) ‘Employee benefits’. This resulted in restating the retirement benefit liability as at January 1, 1999 by US$ 3.5 million (less deferred tax of US$ 1.0 million). These adjustments were recorded in the statement of operations.

The Company's net obligation in respect of this defined retirement benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value and the fair value of any plan assets is deducted. The discount rate used is the yield at the balance sheet date on highly rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by management using the projected unit credit method. Any actuarial gain or loss arising from the calculation of the retirement benefit obligation is fully recognized in the following years' statement of operations.

n. Net financing expense

Net financing expense represents interest received/paid, foreign exchange gains/losses on short term investments and loans as a result of measuring rouble balances in US dollars; and the effect of discounting noninterest bearing short term investments.

o. Earnings/(losses) per share

Earnings/(losses) per share are calculated by dividing the net profit/(loss) by the weighted average number of shares outstanding during the year.

p. Related parties

The following are defined by the Company as its related parties:

- controlled entities, whether controlled directly or indirectly via intermediaries;
- investments in associated companies;
- shareholders and their immediate families;
- directors and officers of the Company and their immediate families; and,
- entities over which officers or directors and their immediate families have control or significant influence.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

q. Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

r. Deferred income

In previous years the Company was permitted to create a fund for research projects by transferring part of its indirect tax liabilities into separate deferred income accounts in the balance sheet. Project expenses are recorded in the statement of operations as 'other operating expenses' and the amortization of the corresponding deferred income accounts is recorded in the statement of operations as 'other operating income'. If any part of the deferred income is not utilized it is transferred back to statement of operations and subject to income tax.

(Amounts expressed in thousands of US dollars)

4. Sales

Sales by product were as follows:

	2001	2000	1999
Export sales:			
Cold rolled sheet	278,360	371,460	329,153
Hot rolled sheet	228,496	455,827	339,808
Semi finished products	69,691	76,721	42,625
Hot rolled sections	49,045	56,082	81,282
Pipes and cold formed sections	20,512	23,192	17,458
Chemical by-products	7,231	5,251	4,903
Other production	1,138	867	4
Shipping and handling costs billed to customers	21,647	40,038	46,282
	676,120	1,029,438	861,515
Domestic sales:			
Cold rolled sheet	321,978	334,897	182,112
Hot rolled sheet	392,344	373,052	191,688
Semi finished products	2,976	9,667	7,934
Hot rolled sections	187,623	161,832	115,611
Pipes and cold formed sections	38,235	31,798	19,063
Chemical by-products	34,870	25,642	12,382
Other production	94,230	77,243	53,865
Noncore activities	8,874	6,874	8,121
Shipping and handling costs billed to customers	31,887	22,727	16,700
	1,113,017	1,043,732	607,476
Total sales	1,789,137	2,073,170	1,468,991

Export sales by delivery destination were as follows:

	2001	2000	1999
Europe	227,151	250,201	165,259
Africa	91,507	121,968	107,140
United States of America	87,022	117,973	98,396
The Middle East	69,580	150,510	119,473
South-East Asia	69,542	195,838	174,064
Central America	56,081	91,796	85,006
South America	45,185	69,084	50,641
Central Asia	30,052	23,726	25,666
North America (excluding the USA)	-	8,342	35,870
	676,120	1,029,438	861,515

(Amounts expressed in thousands of US dollars)

5. Other operating income

	2001	2000	1999
Cancellation of social security and tax fines	-	-	10,461
Amortization of deferred income	2,848	1,197	1,222
Foreign exchange gain on deferred income	400	845	3,817
	3,248	2,042	15,500

6. Other operating expenses

	2001	2000	1999
Loss on disposal of property, plant & equipment	(15,872)	(3,343)	(14,807)
Tax penalties	(2,753)	-	-
Write down of construction-in-progress	(1,520)	(15,695)	(30,118)
Expenses on social and research projects	(1,782)	(1,172)	(1,179)
Foreign exchange loss on rouble cash balances	(261)	(528)	(2,026)
Political donations	-	(122)	(21)
Other	-	-	(3,540)
	(22,188)	(20,860)	(51,691)

7. Staff costs

Employment costs during the year were as follows:

	2001	2000	1999
Wages and salaries	132,073	99,624	66,429
Social benefits	4,266	5,708	5,596
Social security costs	44,963	44,726	24,980
Retirement benefit costs - defined benefit plans (see note 23)	2,419	2,107	2,546
Gross staff costs	183,721	152,165	99,551
Actuarial losses/(gains) recognized (see note 23)	10,963	482	(2,681)
Foreign exchange gains on unpaid liabilities:			
Wages, salaries and social benefits	(441)	(181)	(1,735)
Social security costs	(195)	(186)	(2,086)
Retirement benefit provision (see note 23)	(1,493)	(1,091)	(8,774)
Net staff costs	192,555	151,189	84,275

Included within the total social security costs paid to the government are payments to the state pension fund of US$ 37.0 million (2000: US$ 27.9 million; 1999: US$ 18.6 million).

The directors receive remuneration from the Company in respect of their services as officers and employees of the Company, these costs are included in ‘wages and salaries’ shown above. Additionally, the directors receive emoluments from other related companies for their services as directors to those companies.

(Amounts expressed in thousands of US dollars)

The number of full time employees at the year end, all employed in Russia, were as follows:

	2001	2000	1999
Iron and steel division	40,989	39,650	38,893
Other activities	888	1,422	1,505
Social activities	1,647	4,278	4,400
Total active employees	43,524	45,350	44,798
Retired employees receiving benefits	20,563	20,097	18,346
	64,087	65,447	63,144

8. Nonoperating expenses

	2001	2000	1999
Restructuring loss	(136,007)	-	-
Write down of noncurrent investments	(54,965)	(16,098)	(26,675)
Charitable donations	(49,273)	(816)	(2,945)
Social expenditure	(11,799)	(13,077)	(9,988)
Loss on transfer of kindergartens to city administration	(2,459)	-	-
Depreciation of community & infrastructure assets	(961)	(2,989)	(2,988)
Loss on disposal of noncurrent investments	(4)	-	-
Impairment of community & infrastructure assets	-	(18,140)	-
	(255,468)	(51,120)	(42,596)

In connection with the restructuring described in note 29 shares in several related parties were acquired from other related parties during 2001. The shares were transferred to two holding companies subsequent to the balance sheet date. At the balance sheet date the shares were valued at their recoverable amounts resulting in a net loss of US$136 million.

9. Net financing income/(expenses)

	2001	2000	1999
Financial income:			
Interest income - OAO Metallurgical Commercial Bank	1,283	2,558	1,321
Interest income - OAO Promstroibank (StP)	720	-	-
Interest income - other banks	9,231	15,505	3,965
Foreign exchange loss on short term investments	(2,030)	(1,579)	(3,297)
Financial expenses:			
Interest expense - OAO Metallurgical Commercial Bank	(38)	(472)	(1,781)
Interest expense - OAO Promstroibank (StP)	(27)	-	-
Interest expense - other banks	(6,937)	(5,241)	(20,855)
Foreign exchange gain on rouble loans	940	1,269	4,785
OOO Severstal-Holding - lease commissions	(32)	(36)	(19)
Foreign exchange loss on promissory notes etc	(11,843)	(2,344)	(5,041)
Effects of discounting monetary items to fair value	(3,507)	(3,970)	(2,829)
	(12,240)	5,690	(23,751)

(Amounts expressed in thousands of US dollars)

10. Taxation

At the balance sheet date the Company had no tax loss carry forwards. The following is an analysis of the income tax benefit/(expense):

	2001	2000	1999
Current tax charge	(99,493)	(229,799)	(147,517)
Corrections to prior year's current tax charge	(72)	147	1,082
Deferred tax benefit	186,201	38,793	35,369
Effect of change in tax rate on deferred tax	6,608	(5,476)	39,740
Foreign exchange gain/(loss) on unpaid liabilities	(12)	315	1,588
Income tax benefit/(expense)	93,232	(196,020)	(69,738)

The following is a reconciliation of the reported net income tax expense and the amount calculated by applying the statutory tax rate of 31% (2000 and last nine months of 1999: 30%; first three months of 1999: 35%) to reported profits before taxes.

	2001	2000	1999
Profit/(loss) before tax	(560,108)	648,700	244,381
Tax benefit/(charge) at the statutory rate	173,633	(194,610)	(73,314)
Nondeductible expenses	(105,317)	(17,710)	(16,562)
Tax incentives	23,447	30,011	19,068
First quarter of 1999 at higher tax rates	-	-	(3,379)
Effect of change in tax rate on deferred tax	6,608	(5,476)	39,740
Effect of exchange rate differences on temporary differences	(5,055)	(8,697)	(37,961)
Corrections to prior year's current tax charge	(72)	147	1,082
Foreign exchange gain/(loss) on unpaid liabilities	(12)	315	1,588
Income tax benefit/(expense)	93,232	(196,020)	(69,738)

The composition of the net deferred tax liability, calculated at 24% (2000: 31%; 1999: 35%), based on the temporary differences arising between the Company's fiscal and reporting balance sheets, is given below. The major sources of temporary differences in determining the reported balance sheets are: translation of nonmonetary assets using historical exchange rates; asset impairment and revaluations, higher depreciation charges; providing against obsolete inventories; and, writing off various expenditures as incurred instead of amortizing them over future periods. Movements in deferred tax are as follows:

	Property, plant & equipment	Provisions	Other	Total
Balances at December 31, 1998	(299,610)	5,736	15,711	(278,163)
Recognized in:				
Statement of operations	59,046	8,929	7,134	75,109
Balances at December 31, 1999	(240,564)	14,665	22,845	(203,054)
Recognized in:				
Statement of operations	48,807	(4,930)	(10,560)	33,317
Balances at December 31, 2000	(191,757)	9,735	12,285	(169,737)
Recognized in:				
Statement of operations	187,441	(2,783)	8,151	192,809
Statement of changes in shareholders' equity	(345,493)	-	-	(345,493)
Balances at December 31, 2001	(349,809)	6,952	20,436	(322,421)

(Amounts expressed in thousands of US dollars)

11. Cash and cash equivalents

	2001	2000	1999
Petty cash	48	19	37
Cash at bank:			
OAO Metallurgical Commercial bank	34,523	31,164	8,034
Other international banks	594	3,329	7,611
Other Russian banks	4,777	3,601	12,362
Escrow accounts	11,230	10,190	6,561
Short term deposits:			
OAO Metallurgical Commercial bank	-	76,766	41,261
Other international banks	3,416	66,000	28,895
Other Russian banks	484	99,110	12,296
Loans:			
OOO Okatysh Service	-	9,294	-
Promissory notes:			
ZAO MVC Severstal	514	8,360	9,253
OAO Metallurgical Commercial bank	-	848	2,202
OAO Promstroibank (StP)	572	-	-
Other	948	594	2,995
	57,106	309,275	131,507

12. Short term investments and loans receivable

	2001	2000	1999
Originated loans and receivables			
Short term deposits:			
OAO Metallurgical Commercial bank	-	14,446	-
Other Russian banks	10,000	13,527	-
Loans receivable:			
Controlled related parties	9,092	5,510	-
Other related parties	54,090	78,108	-
Third parties	39,319	11,220	-
Promissory notes:			
Controlled related parties	5,027	7,580	5,193
Third parties	14,329	2,832	5,787
Commercial papers	2,511	-	-
Short term -investments:			
Shares held for disposal	21,093	-	-
	155,461	133,223	10,980

As at the year end, of the short term deposits, US$ 10.0 million (2000: US$ 6.5 million) were used as collateral to guarantee borrowings by other related parties. As at December 31, 1999 no such collateral was given.

Loans given to related parties were generally provided on an interest free basis, and were given to finance working capital and investments.

Shares held for disposal represent the shares to be distributed to shareholders as dividends (see note 29) and were valued at their recoverable amounts.

Notes to the parent company financial statements
(Amounts expressed in thousands of US dollars)

13. Trade accounts receivable

	2001	2000	1999
Export receivables:			
Customers	4,546	19,454	23,937
Allowance for doubtful accounts	-	(818)	(755)
Domestic receivables:			
Customers	30,101	15,885	18,737
Allowance for doubtful debts	(3,957)	(5,541)	(11,961)
	30,690	28,980	29,958

	2001	2000	1999
Movement in allowance for doubtful accounts:			
Opening balance	(6,359)	(12,716)	(16,681)
Amounts written off during the years	1,985	969	3,207
Change in provision	417	5,388	758
Closing balance	(3,957)	(6,359)	(12,716)

14. Amounts receivable from related parties

	2001	2000	1999
Controlled related parties:			
Trade accounts receivable	140,711	71,409	11,977
Other receivables	7,267	5,452	4,333
Other related parties:			
Trade accounts receivable	6,135	38,721	9,723
Other receivables	4,751	1,548	3,819
	158,864	117,130	29,852

Sales to related parties were as follows:

	2001	2000	1999
Controlled related parties	646,241	587,386	70,440
Other related parties	34,793	125,700	95,953
	681,034	713,086	166,393

All sales to related parties were conducted on an arm's length basis.

15. Inventories

	2001	2000	1999
Raw materials	89,831	100,599	62,298
Work-in-progress	52,544	36,070	20,711
Finished goods	8,146	41,458	39,899
	150,521	178,127	122,908

16. Other current assets

	2001	2000	1999
Advances paid to suppliers	43,169	39,082	43,763
Other taxes and social security prepaid	24,654	5,446	8,916
Other	3,049	4,695	1,762
Prepayments	14,886	244	1,348
	85,758	49,467	55,789

(Amounts expressed in thousands of US dollars)

17. Property, plant & equipment

The movements in property, plant & equipment are as follows:

	Buildings & constructions	Plant & machinery	Other productive assets	Total productive assets	Community & infrastructure assets	Construction -in-progress	Total assets
Valuation or historic cost:							
December 31, 2000	2,989,869	2,484,083	560,276	6,034,228	61,912	50,803	6,146,943
Reclassifications and adjustments to fair market value	(2,719,811)	(782,528)	(530,118)	(4,032,457)	(43,396)	-	(4,075,853)
January 1, 2001	270,058	1,701,555	30,158	2,001,771	18,516	50,803	2,071,090
Additions - external	-	-	-	-	-	80,494	80,494
Disposals - external	(52)	(17,683)	(908)	(18,643)	(2,963)	-	(21,606)
Transfer to materials	-	-	-	-	-	(70)	(70)
Transfer to long term investments	(8)	(219)	(483)	(710)	(48)	-	(758)
Write down of construction-in-progress	-	-	-	-	-	(1,520)	(1,520)
Transfers	9,108	48,009	4,196	61,313	2,651	(63,964)	-
December 31, 2001	279,106	1,731,662	32,963	2,043,731	18,156	65,743	2,127,630
Accumulated depreciation:							
December 31, 2000	2,346,427	2,255,623	463,135	5,065,185	36,217		5,101,402
Reclassifications and adjustments to fair market value	(2,346,427)	(2,255,623)	(463,135)	(5,065,185)	(36,217)		(5,101,402)
January 1, 2001	-	-	-	-	-		-
Depreciation expense	21,919	162,677	6,054	190,650	961		191,611
Disposals - external	-	(1,728)	(120)	(1,848)	(149)		(1,997)
Transfer to long term investments	(3)	(31)	(23)	(57)	(3)		(60)
Impairment of assets	-	13,500	-	13,500	-		13,500
December 31, 2001	21,916	174,418	5,911	202,245	809		203,054
Net book values:							
December 31, 2000	643,442	228,460	97,141	969,043	25,695	50,803	1,045,541
January 1, 2001	270,058	1,701,555	30,158	2,001,771	18,516	50,803	2,071,090
December 31, 2001	257,190	1,557,244	27,052	1,841,486	17,347	65,743	1,924,576

The company has no assets held under noncancelable leases, and the following assets, by category, held under capital leases at:

December 31, 2000							
Cost	1,290	13,950	-	15,240	5	-	15,245
Accumulated depreciation	(177)	(5,703)	-	(5,880)	(2)	-	(5,882)
Net book value	1,113	8,247	-	9,360	3	-	9,363
January 1, 2001							
Cost	559	16,188	-	16,747	-	-	16,747
Accumulated depreciation	-	-	-	-	-	-	-
Net book value	559	16,188	-	16,747	-	-	16,747
December 31, 2001							
Cost	-	16,188	-	16,188	-	-	16,188
Accumulated depreciation	-	(1,861)	-	(1,861)	-	-	(1,861)
Net book value	-	14,327	-	14,327	-	-	14,327

Other productive assets includes: Transmission equipment, transport equipment and tools.

(Amounts expressed in thousands of US dollars)

17. Property, plant & equipment (continued)

As at January 1, 2001 the company commissioned American Appraisal Inc to independently assess the value of its productive property, plant & equipment for the purpose of financial reporting. The valuation procedures determined the fair market value of the Company's property, plant & equipment as at January 1, 2001, as disclosed in the schedule of movements in property, plant and equipment, and the associated accumulated depreciation of those assets as at January 1, 2001 has been zeroed. Fixed assets have been valued assuming continued use of the facilities. Management used similar procedures to value the Company's social assets as at January 1, 2001.

The fair market value of all property, plant and equipment has been assessed at US$ 2,071 million which represents an excess of US$ 1,026 million over the carrying value of property, plant and equipment as at January 1, 2001.

Whilst the overall fair market value of property, plant and equipment was in excess of its carrying amount, the fair market value of certain property, plant and equipment was less than their carrying value as at January 1, 2001. IFRS require that impairments be recorded in the statement of operations as an expense and that revaluations be recorded directly in equity.

As a result of adopting the independent valuation, the Company made the following adjustments to the financial statements:

Impairment of property, plant & equipment	(384,481)
Revaluation of property, plant & equipment	1,410,030
Net increase in property, plant & equipment	1,025,549

For the purpose of the impairment analysis, the Company's property, plant & equipment was divided into cash-generating units and the recoverable amount was calculated in aggregate for each cash-generating unit. The recoverable amounts represent the value in use as determined by discounting the future cash flows, of each unit, generated from the continuing use of the Company's property, plant & equipment and its ultimate disposal.

In the light of the above valuation management reviewed and revised the remaining useful lives of the Company's assets, additionally items that were formerly depreciated using the reducing balance method now use the straight line method of depreciation calculation.

(Amounts expressed in thousands of US dollars)

18. Long term investments and loans receivable

The company's long term investments and loans are as follows:

Name	Principal activity	Share type	Percentage holding	2001 Net	2000 Net	1999 Net
Long term investments						
Subsidiaries						
OAO Metallurgical Commercial Bank	Banking	Ordinary	43.58%	9,522	9,522	10,762
OAO Insurance Company Sheksna	Insurance	Ordinary	90.19%	3,942	2,276	-
ZAO Ijorsky Tube Factory	Engineering	Ordinary	100.00%	3,817	3,754	-
OOO Severstal-Holding	Holding company	Ordinary	89.94%	3,300	28,939	32,626
Severstal Trade Gmbh	Holding company	Ordinary	100.00%	1,943	1,943	1,943
OAO Cherepovets Steel Rolling Mill	Steel machining	Ordinary	54.29%	1,500	-	-
OAO NIIEIR	Research &development	Ordinary	70.86%	793	-	-
OAO Pansionat Sheksna	Recreation	Ordinary	100.00%	-	3,512	11,368
Associates and others						
OAO HK Kolomensky Zavod	Locomotive manufacturing	Ordinary	16.33%	15,047	-	-
OAO Promstroibank StP	Banking	Ordinary	9.81%	11,262	-	-
ZAO Promtorgbank	Banking	Ordinary	10.19%	3,985	-	-
OAO Vorkutaugol	Coal mining	Ordinary	1.50%	1,183	-	-
ZAO Zemledelets-Severstal	Agriculture	Ordinary	29.16%	-	889	889
OAO Vologdapromresurs	Mineral exploration	Ordinary	25.80%	-	-	474
Others individually less than US$ 50,000 each				7	207	137
Originated loans and receivables						
Loans receivable						
Controlled related parties				21,070	15,107	-
Other related parties				51,460	-	-
Third parties				25,849	15,783	-
Promissory notes						
Controlled related parties				27,070	-	-
Other related parties				9,190	-	-
Third parties				-	-	72
				190,940	81,932	58,271

Long term investments in subsidiaries, associates and others are carried at cost less impairment losses. The fair values of these securities are not readily determinable as they are not traded on an exchange.

Except for Severstal-Trade Gmbh, all long-term investments are in companies incorporated and resident in the Russian Federation. Severstal-Trade Gmbh is incorporated and resident in Austria.

(Amounts expressed in thousands of US dollars)

19. Amounts payable to related parties

	2001	2000	1999
Controlled related parties:			
Advances received	-	690	-
Trade accounts payable	2,083	1,136	720
Other accounts payable	8,650	9,164	13,300
Other related parties:			
Advances received	274	158	3,780
Trade accounts payable	1,968	3,553	7,654
Other accounts payable	4,108	2,652	924
	17,083	17,353	26,378

Purchases from related parties were as follows:

	2001	2000	1999
Noncapital purchases			
Controlled related parties	18,129	10,659	5,687
Other related parties	258,807	201,655	170,437
Capital purchases			
Controlled related parties	9,755	3,588	2,123
Other related parties	686	494	1,358
Services received			
Controlled related parties	40,948	17,121	11,319
	328,325	233,517	190,924

20. Other current liabilities

	2001	2000	1999
Advances received from customers	27,705	36,300	57,189
Amounts payable to employees	14,437	5,742	4,486
Other	1,513	4,070	3,885
Accrued expenses	2,754	2,755	2,600
	46,409	48,867	68,160

21. Loans

	2001	2000	1999
OAO Metallurgical Commercial Bank	-	-	1,981
International banks	39,900	2,870	2,950
Other Russian banks	91,959	58,580	30,681
Accrued interest	899	574	1,781
	132,758	62,024	37,393

Total debt is denominated in the following currencies:

	2001	2000	1999
Roubles	49,540	7,102	22,867
US dollars	83,218	54,922	14,526
	132,758	62,024	37,393

(Amounts expressed in thousands of US dollars)

Total debt is contractually repayable after the balance sheet date as follows:

	2001	2000	1999
Less than one year	70,502	27,689	37,083
Between one and two years	24,645	14,286	310
Between two and five years	37,611	20,049	-
	132,758	62,024	37,393

These loans are secured by charges over US$ 554 million net book value of plant & equipment and US$ 21.7 million of working capital.

At the balance sheet date the Company had US$ 34.1 million of unused long term credit lines available to it.

22. Lease liabilities

During 1999 the Company entered into sale and lease back transactions with a subsidiary company, OOO Severstal-Holding, for some of its vehicles and computers. The leases are finance leases and accordingly the assets continue to be recognized in the Company's balance sheet. As the payments under the finance lease fall due, the proceeds from the sale become receivable. There are no contingent rents payable, and timing of the receivables (see note 14) and payables (see note 19) related to these leases is as follows:

	Lease payments	Lease commission	Lease principal	Receivable from sale	Net Liability
As at December 31, 2001					
Less than one year	604	23	581	581	23
Between one and five years	460	18	442	442	18
	1,064	41	1,023	1,023	41
As at December 31, 2000					
Less than one year	1,043	40	1,003	1,003	40
Between one and five years	1,138	43	1,095	1,095	43
	2,181	83	2,098	2,098	83
As at December 31, 1999					
Less than one year	821	92	729	729	92
Between one and five years	2,127	236	1,891	1,891	236
More than five years	45	4	41	41	4
	2,993	332	2,661	2,661	332

The lease commission is recognized in the statement of operations as it falls due.

23. Other noncurrent liabilities

	2001	2000	1999
Net liability for retirement benefits	28,935	25,938	26,496

A discount rate of 13% has been used to calculate the retirement benefit liability. Future retirement benefit increases are assumed to be zero in US dollar terms. The expected return on plan assets is 15%.

(Amounts expressed in thousands of US dollars)

The components and movements in the retirement benefit liabilities were as follows:

	2001	2000	1999
Components of the net liability for retirement benefits:			
Present value of the defined benefit obligation	31,810	37,670	27,000
Fair value of the plan assets	(6,331)	-	-
Unrecognized actuarial gain/(loss)	3,456	(11,732)	(504)
	28,935	25,938	26,496
Movements in the net liability for retirement benefits:			
Net liability at beginning of year as previously reported	25,938	26,496	33,800
Transitional liability	-	-	3,505
Net liability at beginning of year restated	25,938	26,496	37,305
Contributions made during the year	(8,892)	(2,056)	(1,900)
Amounts recognized in the statement of operations:			
Expected return on plan assets	(568)	-	-
Interest cost	2,260	1,620	2,028
Service cost	727	487	518
Actuarial losses/(gains) recognized	10,963	482	(2,681)
Foreign exchange gain	(1,493)	(1,091)	(8,774)
Net liability at end of year	28,935	25,938	26,496
Components of the total defined benefit obligation:			
Retirees	21,826	23,951	16,000
Other participants:			
Vested	3,572	3,942	3,900
Nonvested	6,412	9,777	7,100
	31,810	37,670	27,000

The retirement benefit expenses are all recognized in the statement of operations as 'Selling, general & administration expenses'.

24. Shareholders' equity

The Company's authorized capital, according to its Charter Document, at the balance sheet date comprised 22,074,192 ordinary shares with a nominal value of Rbs 0.25 each. This nominal amount was converted into US dollars using exchange rates during the Soviet period, when the Government contributed the original capital funds to the enterprise. These capital funds were converted into ordinary shares on September 24, 1993 and sold by the Government at privatization auctions. There have been no changes in the number of shares outstanding since September 24, 1993. All shares carry equal voting and distribution rights.

The maximum dividend payable is restricted to the total accumulated retained earnings of the Company determined according to Russian law. As at the balance sheet date, reserves available for distribution were US$ 795.5 million (2000: US$ 778.3 million; 1999: US$ 252.9 million).

25. Commitments and contingencies

a. For litigation, tax and other liabilities

At the balance sheet date, the Company was subject to various claims from customers and suppliers totaling US$ 2.6 million (2000: US$ 4.3 million 1999: US$ 8.5 million) and the tax authorities totaling US$ 5.1 million (2000 US$ 4.6 million; 1999: US$ 16.9 million). Based on experience in resolving such matters, management believes that it has adequately provided for any liabilities in the accompanying financial statements.

b. Long term purchase and sales contracts

In the normal course of business the Company enters into long term purchase contracts for raw materials, and long term sales contracts. These contracts allow for periodic adjustments in prices dependent on prevailing market conditions.

c. Capital commitments

At the balance sheet date the Company had capital commitments of US$ 20.5 million, through its capital construction department, mainly for manufacturing plant.

d. Insurance

From March 1, 2002 the Company contracted full property damage and business interruption insurance. However, the Company does not have full insurance for third party liability in respect of property or environmental damage.

e. Guarantees

At the balance sheet date the Company had given US$ 12.7 million of guarantees for bank borrowings by third parties, of which US$ 3.7 million were in respect of related parties. All these guarantees mature within one year.

26. Financial instruments

The Company does not use derivative financial instruments for any purpose.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The balances of deposits with, short term loans to, and guarantees for related parties as at the balance sheet date is not considered to be a significant credit risk.

The Company incurs currency risk on transactions and balances not denominated in the reporting currency. At the balance sheet date 15.0% of the Company's net monetary assets were denominated in the reporting currency and a further 7.5% were denominated in Euros and other European currencies.

(Amounts expressed in thousands of US dollars)

With the exception of equity securities, it is management's opinion that the fair values of the Company's financial assets and liabilities as at the balance sheet date approximate their book values. Equity securities have been valued at their recoverable amounts (see notes 12 and 18).

All interest rates are fixed for the duration of each contract.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates, in US dollar terms, at the balance sheet date:

	2001	**2000**	**1999**
Cash and cash equivalents	28.28%	9.70%	7.00%
Short term investments	-	9.70%	-
Noncurrent investments	3.83%	5.47%	-
Loans:			
Rouble denominated	4.06%	10.26%	6.01%
US dollar denominated	8.65%	12.29%	12.87%
Lease liabilities	(2.83)%	(0.28)%	(20.50)%

27. Allocation of foreign exchange gains and losses

For the purposes of presenting the financial statements in US dollars the following foreign exchange gains/(losses), that arise on rouble denominated assets and liabilities, were allocated to the statement of operations:

	2001	**2000**	**1999**
Selling, general & administration expenses	(1,674)	(766)	4,424
Indirect taxes & contributions	105	(121)	2,656
Other operating income	400	845	3,817
Other operating expenses	(261)	(528)	(2,026)
Net financing income/(expenses)	(12,933)	(2,654)	(3,553)
Income tax benefit/(expense)	(12)	315	1,588
	(14,375)	(2,909)	6,906

The above gains/(losses) were generated from the following balance sheet accounts:

Cash and cash equivalents	(261)	(528)	(2,026)
VAT recoverable	(1,636)	(1,260)	(9,706)
Other current assets	(3,180)	(906)	(3,369)
Deferred income	400	845	3,817
Other taxes and social security payable	105	(121)	2,656
Other current liabilities	416	309	8,725
Other noncurrent liabilities	1,493	1,091	8,774
Dividends payable	1,233	-	-
Sub-total	(1,430)	(570)	8,871
Short term investments and loans receivable	(13,873)	(3,923)	(8,338)
Loans	940	1,269	4,785
Income tax payable/(recoverable)	(12)	315	1,588
	(14,375)	(2,909)	6,906

28. Related parties

A list of related parties controlled by Severstal during the year or at the balance sheet date is as follows:

Company	Location	Activity
Nova Steel AG	Switzerland	Steel sales
Severstal Trade Gmbh	Austria	Holding company
ZAO Aliance-1420	Russia	Pipe manufacturer
OOO Aviakompanya Severstal	Russia	Airline
OAO Cherepovets Steel Rolling Mill	Russia	Steel machining
OAO Domnaremont	Russia	Steel producing equipment repairs
OOO Energoremont	Russia	Steel producing equipment repairs
ZAO Ijorsky Tube Factory	Russia	Engineering
OAO Insurance Company Sheksna	Russia	Insurance
OOO Kados	Russia	Manufacture of metal working tools
OAO Karelsky Okatysh	Russia	Iron ore mining
OOO Kasper	Russia	Catering
OOO Kostomukshkoe Pivo	Russia	Brewery
OOO Meat processing complex Drujba	Russia	Meat processing
OOO Meta-Invest	Russia	Financing
OAO Metallurgical Commercial Bank	Russia	Banking
OAO Metallurgremont	Russia	Steel producing equipment repairs
OOO Metremstroy	Russia	Steel producing equipment construction
OOO Metstroyservice-1	Russia	Steel producing equipment construction
OOO Metstroyservice-2	Russia	Steel producing equipment construction
OOO Metstroyservice-3	Russia	Steel producing equipment construction
OOO Metstroyservice-4	Russia	Steel producing equipment construction
OOO Metstroyservice-5	Russia	Steel producing equipment construction
OOO Metstroyservice-6	Russia	Steel producing equipment construction
OOO Mini-brewery Munich Beer	Russia	Brewery
OAO MVC Severstal	Russia	Financing
OAO NIIEIR	Russia	Research and development
OOO Oktyabrskoe	Russia	Agriculture
OAO Olkon	Russia	Iron ore mining
OAO Orel-ruda	Russia	Iron ore mining
OAO Pansionat Sheksna	Russia	Recreation
OOO Promjilstroy	Russia	Construction
OOO Promleasing	Russia	Financing
OOO Promyshlennaya Expertise	Russia	Asset valuation
OOO Publishing House Cherepovets	Russia	Printing and publishing
ZAO Radio-102	Russia	Radio station
OOO Restaurant Munich Beer	Russia	Catering
OOO Restaurant Rus	Russia	Catering
OOO Restaurant Sheksna	Russia	Catering
OOO Restaurant Three Poplars	Russia	Catering
NP Service-Center SMI	Russia	Radio and TV transmission equipment
OOO Severny Niobium	Russia	Ore processor
SANO Severstal Ice Hockey Club	Russia	Ice hockey
ZAO Severstalbel	Byelorussia	Steel sales
OOO Severstal-enamel	Russia	Kitchenware production
OOO Severstal-furniture	Russia	Steel furniture production
OOO Severstal-Holding	Russia	Holding company
OAO Stalmag	Russia	Mining
RNPF Sheksna Gefest	Russia	Pension fund provider
OAO Sheksna M	Russia	Medial insurance
OAO Sheksna Pharma	Russia	Pharmaceutical distribution
OOO Sheksna Tour	Russia	Travel agent
OOO Shop Oktyabrsky	Russia	Retailing
OOO Trade Center	Russia	Retailing

(Amounts expressed in thousands of US dollars)

Company	Location	Activity
OOO TV Transmit	Russia	Radio station
OAO Ulianovsky Automotive Works	Russia	Vehicle manufacturer
OOO Zagotovochnaya Stolovaya	Russia	Catering
OAO Zavoljsky Motor Works	Russia	Engine manufacturer

Details of the transactions with all related parties are given in notes 14 and 19.

29. Subsequent events

In March 2002 the spin-off of the Kitchenware and Furniture divisions, announced in December 2001, was completed. The sales of these divisions during the year ended December 31, 2001 totaled US$ 19.6 million and the net book value of their fixed assets at December 31, 2001 was US$ 10.1 million.

On April 19, 2002 construction started of the new galvanizing plant in Cherepovets that constitutes the joint venture between Severstal and Arcelor called ZAO Severgal. Severstal has a 75% share of this joint venture. The total investment relating to this joint venture is estimated at US$ 170 million of which US$ 60 million will be financed by Severstal. It is expected to become operational during 2004.

In July 2002 the spin off of various repair shops announced in April 2002 was completed. The external sales of these workshops during the year ended December 31, 2001 totaled US$ 12.7 million and the net book value of their fixed assets at December 31, 2001 was US$ 21.1 million.

In May 2002, the directors proposed that a dividend of Rbs 28.80 per share be paid to the shareholders in respect of 2001. This dividend is the fair market value of one share in each of two newly created holding companies: OAO Severstal-auto (being Rbs 11.70 per share) and OAO Severstal-resource (being Rbs 17.10 per share). These companies hold the shares of OAO Ulianovsky Automotive Works, OAO Zavoljsky Motor Works, OAO Kuzbassugol, OAO Karelsky Okatysh, OAO Olkon, OAO Stalmag and OOO Severny Niobium. During the creation of these two new holding companies, the shares they contain were independently valued, which resulted in losses to the Company. These financial statements have been prepared in accordance with the dividend proposal confirmed at the annual general meeting of shareholders held on June 21, 2002, accordingly a restructuring loss has been recorded on this transaction (see note 8) and the shares to be distributed are shown as current assets (see note 12).