SEVERSTAL

Consolidated financial statements
for the year ended December 31, 2005

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Contents

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Independent Auditors' Report

The Board of Directors of OAO Severstal

We have audited the accompanying consolidated balance sheet of OAO Severstal (the "Company") and its subsidiaries (the "Group") as at 31 December 2005, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Limited.

KPMG Limited
24 April 2006

Severstal

Consolidated balance sheet
December 31, 2005
(Amounts expressed in thousands of US dollars)

	Note	December 31, 2005	2004	2003
Assets				
Current assets:				
Cash and cash equivalents	11	870,129	1,081,419	523,999
Short-term bank deposits	12	673,441	555,359	127,939
Short-term financial investments	13	275,795	167,423	180,308
Trade accounts receivable	14	460,151	456,132	167,059
Amounts receivable from related parties	15	164,696	287,213	52,280
Inventories	16	992,774	1,024,304	344,713
VAT receivable		337,982	173,372	83,635
Income tax receivable		927	43,945	2,216
Other current assets	17	120,669	123,010	84,634
Total current assets		3,896,564	3,912,177	1,566,783
Non-current assets:				
Amounts receivable from related parties	15	-	-	181,443
Long-term financial investments	18	652,342	90,494	126,620
Investment in associates	19	208,317	85,770	809
Property, plant and equipment	20	5,985,450	2,488,771	1,995,581
Intangible assets		6,418	6,386	2,567
Total non-current assets		6,852,527	2,671,421	2,307,020
Total assets		10,749,091	6,583,598	3,873,803
Liabilities and shareholders' equity				
Current liabilities:				
Trade accounts payable		317,893	311,971	108,759
Bank customer accounts	21	98,867	44,695	50,879
Amounts payable to related parties	22	190,586	112,093	42,540
Income taxes payable		43,418	30,465	5,967
Other taxes and social security payable		32,312	32,520	17,632
Short-term debt finance	23	252,858	227,821	186,088
Dividends payable		12,275	18,440	39,481
Other current liabilities	24	178,686	173,811	130,044
Total current liabilities		1,126,895	951,816	581,390
Non-current liabilities:				
Long-term debt finance	23	1,418,173	1,325,324	342,917
Deferred tax liabilities	10	973,847	277,831	247,643
Other non-current liabilities	25	140,504	105,150	39,991
Total non-current liabilities		2,532,524	1,708,305	630,551
Equity:				
Share capital	26	3,311,129	3,311,129	3,311,129
Revaluation reserve		2,800,994	631,455	728,467
Foreign exchange differences		23,754	169,735	-
Accumulated earnings/(deficit)		868,444	(252,868)	(1,438,193)
Total equity attributable to shareholders of parent		7,004,321	3,859,451	2,601,403
Minority interest		85,351	64,026	60,459
Total equity		7,089,672	3,923,477	2,661,862
Total equity and liabilities		10,749,091	6,583,598	3,873,803

These financial statements were approved by the Board of Directors on April 24, 2006.
The accompanying notes form an integral part of these consolidated financial statements.

Severstal

Consolidated income statement
Year ended December 31, 2005
(Amounts expressed in thousands of US dollars, except shares and earnings per share)

	Note	Year ended December 31, 2005	2004	2003
Sales				
Sales - external		7,484,308	6,282,694	2,915,510
Sales - to related parties	15	488,393	381,153	281,775
	4	7,972,701	6,663,847	3,197,285
Cost of sales		(5,292,733)	(4,019,025)	(1,907,914)
Gross profit		2,679,968	2,644,822	1,289,371
Selling, general and administrative expenses		(269,445)	(240,097)	(157,876)
Distribution expenses		(535,622)	(434,811)	(314,954)
Indirect taxes and contributions		(29,297)	(25,266)	(17,671)
Share of associates' (losses)/profits		(4,266)	7,158	(280)
Net income from bank lending operations	6	10,794	4,263	1,956
Net income/(expenses) from securities operations	7	3,814	25,830	(7,585)
Net expenses from insurance operations		-	(18,237)	(14,297)
Loss on disposal of property, plant and equipment		(31,677)	(26,102)	(20,345)
Net other operating income		37	974	3,739
Profit from operations		1,824,306	1,938,534	762,058
Reversal of impairment/(impairment) of property, plant and equipment, net	20	84,336	(16,066)	(5,413)
Impairment of goodwill		-	-	(10,548)
Negative goodwill		7,630	61,274	5,099
Net other non-operating expenses	8	(42,960)	(3,445)	(20,846)
Profit before financing and taxation		1,873,312	1,980,297	730,350
Net financing (expense)/income	9	(145,997)	(90,156)	35,998
Profit before income tax		1,727,315	1,890,141	766,348
Income tax expense	10	(435,650)	(481,624)	(162,262)
Profit for the year		1,291,665	1,408,517	604,086
Attributable to:				
shareholders of OAO Severstal		1,288,772	1,401,179	596,515
minority interest		2,893	7,338	7,571
Weighted average number of shares outstanding during the year (units after split)		551,854,800	551,854,800	551,854,800
Basic and diluted earnings per share (US dollars)		2.34	2.54	1.08

The accompanying notes form an integral part of these consolidated financial statements.

Severstal

Consolidated statement of cash flows
Year ended December 31, 2005
(Amounts expressed in thousands of US dollars)

	Year ended December 31,		
	2,005	**2004**	**2003**
Operating activities:			
Profit before financing and taxation	1,873,312	1,980,297	730,350
Adjustments to reconcile profit to cash generated from operations:			
Depreciation and amortization	255,793	250,038	226,605
(Reversal of impairment)/impairment of assets	(84,336)	16,066	18,909
Provisions against inventories and receivables	18,972	15,743	7,037
Negative goodwill	(7,630)	(61,274)	(5,099)
Loss on disposal of property, plant and equipment	31,677	26,102	20,345
Loss/(gain) on disposal of subsidiaries/associates	10,342	(20,475)	736
(Gain)/loss on remeasurement and disposal of financial investments	(1,354)	(22,828)	9,431
Dividends from associates less share of associates' income	17,312	4,362	280
Changes in operating assets and liabilities:			
Trade accounts receivable	(30,887)	(233,228)	(21,037)
Amounts receivable from related parties	63,728	32,057	(192,071)
VAT recoverable	(174,145)	(93,838)	(28,829)
Inventories	(22,746)	(510,014)	(93,880)
Trade accounts payable	35,338	172,895	(12,206)
Amounts payable to related parties	83,548	117,700	8,689
Other non-current liabilities	38,679	42,128	(13,971)
Net other changes in operating assets and liabilities	68,126	11,240	82,296
Cash generated from operations	2,175,729	1,726,971	737,585
Interest paid (excluding banking operations)	(150,316)	(88,624)	(28,611)
Income tax paid	(387,392)	(515,828)	(208,123)
Net cash provided from operating activities	1,638,021	1,122,519	500,851
Investing activities:			
Additions to property, plant and equipment	(827,879)	(610,890)	(247,915)
Additions to intangible assets	(104)	(4,878)	-
Net additions to short-term bank deposits	(133,718)	(423,077)	(107,183)
Additions to financial investments and associates	(1,516,182)	(301,723)	(87,502)
Buy out of minority interests	(5,465)	(377)	(6,475)
Net cash outflow on acquisitions of subsidiaries	(4,880)	(254,927)	(61,448)
Net cash inflow/(outflow) on disposals of subsidiaries	13,701	(22,964)	-
Proceeds from disposal of property, plant and equipment	3,067	1,745	5,112
Proceeds from disposal of financial investments	721,677	357,525	254,214
Interest received (excluding banking operations)	44,328	39,961	21,140
Cash used for investing activities	(1,705,455)	(1,219,605)	(230,057)
Financing activities:			
Proceeds from debt finance	747,322	1,453,059	606,488
Repayment of debt finance	(602,846)	(463,736)	(290,356)
Parent company dividends paid	(276,792)	(337,255)	(309,451)
Minority capital contributions	22,765	4,024	22,994
Net other cash flows from financing acitivities	(3,742)	(682)	(626)
Cash (used for)/provided from financing activities	(113,293)	655,410	29,049
Effect of exchange rates on cash and cash equivalents	(30,563)	(904)	10,628
Net (decrease)/increase in cash and cash equivalents	(211,290)	557,420	310,471
Cash and cash equivalents at beginning of the period	1,081,419	523,999	213,528
Cash and cash equivalents at end of the period	870,129	1,081,419	523,999

The accompanying notes form an integral part of these consolidated financial statements.

Severstal

Consolidated statement of changes in equity
Year ended December 31, 2005
(Amounts expressed in thousands of US dollars)

	Attributable to the shareholders of OAO Severstal						Minority interest	Total
	Share capital	Additional capital	Revaluation reserve	Foreign exchange differences	Accumulated earnings/ (deficit)	Total		
Balances at December 31, 2002	3,311,129	136	832,048	-	(1,777,417)	2,365,896	34,514	2,400,410
Profit for the year	-	-	-	-	596,515	596,515	7,571	604,086
Realization of revaluation reserve:								
Disposals	-	-	(8,759)	-	8,759	-	-	-
Depreciation	-	-	(122,595)	-	122,595	-	-	-
Deferred tax on realization	-	-	31,525	-	(31,525)	-	-	-
Impairment of property, plant & equipment:								
Impairment	-	-	(4,936)	-	-	(4,936)	-	(4,936)
Deferred tax on impairment	-	-	1,184	-	-	1,184	-	1,184
Total recognized income and expenses						592,763	7,571	600,334
Dividends	-	-	-	-	(348,161)	(348,161)	-	(348,161)
Acquisition from common shareholder	-	(136)	-	-	(8,959)	(9,095)	-	(9,095)
Effect of acquisitions and disposals	-	-	-	-	-	-	18,374	18,374
Balances at December 31, 2003	3,311,129	-	728,467	-	(1,438,193)	2,601,403	60,459	2,661,862
Profit for the year	-	-	-	-	1,401,179	1,401,179	7,338	1,408,517
Realization of revaluation reserve:								
Disposals	-	-	(12,455)	-	12,455	-	-	-
Business de-combinations	-	-	(541)	-	541	-	-	-
Depreciation	-	-	(114,481)	-	114,481	-	-	-
Deferred tax on realization	-	-	30,465	-	(30,465)	-	-	-
Foreign exchange differences								
Origination	-	-	-	173,083	-	173,083	133	173,216
Business de-combinations	-	-	-	(3,348)	3,348	-	-	-
Total recognized income and expenses						1,574,262	7,471	1,581,733
Dividends	-	-	-	-	(316,214)	(316,214)	(58)	(316,272)
Effect of acquisitions and disposals	-	-	-	-	-	-	(3,846)	(3,846)
Balances at December 31, 2004	3,311,129	-	631,455	169,735	(252,868)	3,859,451	64,026	3,923,477

Severstal

Consolidated statement of changes in equity
Year ended December 31, 2005
(Amounts expressed in thousands of US dollars)

	Attributable to the shareholders of OAO Severstal						Minority interest	Total
	Share capital	Additional capital	Revaluation reserve	Foreign exchange differences	Accumulated earnings/ (deficit)	Total		
Balances at December 31, 2004	3,311,129	-	631,455	169,735	(252,868)	3,859,451	64,026	3,923,477
Profit for the year	-	-	-	-	1,288,772	1,288,772	2,893	1,291,665
Realization of revaluation reserve:								
Disposals	-	-	(13,383)	-	13,383	-	-	-
Depreciation	-	-	(105,030)	-	105,030	-	-	-
Deferred tax on realization	-	-	28,419	-	(28,419)	-	-	-
Revaluation of property, plant & equipment:								
Revaluation	-	-	2,974,196	(6,106)	(599)	2,967,491	599	2,968,090
Deferred tax	-	-	(714,663)	1,465	204	(712,994)	(204)	(713,198)
Foreign exchange differences	-	-	-	(141,340)	-	(141,340)	(2,135)	(143,475)
Revaluation of available-for-sale investments	-	-	-	-	14,124	14,124	-	14,124
Total recognized income and expenses						3,416,053	1,153	3,417,206
Dividends	-	-	-	-	(271,183)	(271,183)	(3,181)	(274,364)
Effect of acquisitions and disposals	-	-	-	-	-	-	23,353	23,353
Balances at December 31, 2005	3,311,129	-	2,800,994	23,754	868,444	7,004,321	85,351	7,089,672

Included in Accumulated earnings/(deficit) at December 31, 2005 are US$ 14,124 thousand of unrealized profits on available-for-sale investments (2004: US$ nil, 2003: US$ nil).

The accompanying notes form an integral part of these consolidated financial statements.

1. Operations

The consolidated financial statements of OAO Severstal ('the Group') comprise the parent company, OAO Severstal ('Severstal' or 'the Parent Company'), and its subsidiaries as listed in note 27.

Severstal 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, Severstal was registered as a Joint Stock Company ('OAO') and privatized. Severstal's registered office is located at Ul Mira 30, Cherepovets, Russia. Severstal's shares are quoted on the Russian Trading System, and since June 2005, on the Moscow Interbank Currency Exchange ('MICEX'). Through participating in Severstal's privatization auctions and other purchases, Alexey Mordashov (the "Majority Shareholder") has purchased shares in Severstal such that as at the balance sheet date he controlled, directly or indirectly, 82.75% (2004: 82.75%; 2003: 82.75%) of Severstal's share capital.

The Group comprises the following segments:

- *Steel segment* – this segment operates full cycle integrated iron and steel mills in Russia and the USA and has supporting companies for the sale of products in the Russian and international markets. The maintenance companies, which also had been part of this segment, were sold to related parties in December 2004.
- *Metalware segment* – this segment comprises three locations in Russia containing wire drawing equipment that takes long products (mainly wire) from the Steel segment and turns them into products with a higher value added for the Russian and international markets.
- *Financing segment* – this segment operates a retail bank. A leasing company, which also had been part of this segment, was sold to related parties in December 2004.
- *Insurance segment* – this segment operated two general insurance companies; a specialist medical insurance company; and a life insurance company. A large part of this segment was sold to related parties in December 2004, and the remaining part in April 2005.

A segmental analysis of the consolidated balance sheet and income statement is given in note 29.

As described in note 28, subsequent to December 31, 2005, the Group initiated the acquisition of controlling stakes in coal and iron ore mining assets currently controlled by the Majority Shareholder.

A large part of the Group is 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 Group and the realization and settlement of its assets and liabilities.

International sales of rolled steel from the Group's Russian operations have been the subject of several anti-dumping investigations. The Group has taken steps to address the concerns of such investigations and participates actively in their resolution. A brief description of protective measures effective at Severstal's key export markets is given below:

- Exports from Russia to the USA are restricted by the minimum prices issued quarterly by the US Department of Commerce and quotas. Severstal is the first Russian company, for which since September 2005 minimum prices for certain types of steel plate were established based on producer's actual cost and finance data.

- The Canadian market of hot-rolled plate is restricted by minimum prices as well. Work directed to getting minimum prices based on Severstal's actual data was performed in 2005.
- The European Union ('EU') market is protected by quotas. During the last couple of years quotas have been raised about 2-2.5% each year after adjusting for the effects of EU enlargements. Severstal traditionally gets approximately 35% of the total Russian quota and strives to utilize it fully because the EU market is a key market for Severstal.
- The Chinese market is open to the Russian exporters. No antidumping or safeguard measures are in force.

2. Presentation of the financial statements

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, and are prepared under the historic cost convention except that property, plant and equipment; investments designated at fair value; and investments available-for-sale are stated at fair value. The Group's statutory financial records are maintained in accordance with the legislative requirements of the countries in which the individual entities are located, which differ in certain respects from IFRS. The accounting policies applied in the preparation of these consolidated financial statements are set out in note 3.

Going concern basis

These consolidated 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.

Use of estimates

The preparation of consolidated 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, actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Note 18 – Long-term financial investments
- Note 20 – Property, plant and equipment
- Note 25 – Other non-current liabilities

Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble. After extensive reviews of Severstal's operations management determined that Severstal's functional currency changed from the United States dollar ('US dollar') to the Russian rouble ('RUR') at January 1, 2004. This change reflected mainly the consequences of the changes in the Russian economic environment, such as a decrease in inflation level, that led Severstal to move its selling and purchasing activities from mainly US dollar based transactions to mainly rouble based transactions.

Since the Group's consolidated financial statements prior to January 1, 2004 were presented in US dollars, management has elected to continue to use the US dollar as the Group's presentation currency to facilitate the comparability of the Group's results.

The rouble is not a fully convertible currency outside the Russian Federation and accordingly, any conversion of rouble amounts into 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.

Basis of consolidation
Subsidiaries are those enterprises controlled, directly or indirectly, by the Parent Company. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The minority interest represents the minorities' proportion of the net identifiable assets of the subsidiaries.

Associates are those enterprises in which the Group has significant influence, but does not have control over the financial and operating policies. These consolidated financial statements include the Group's share of the total recognized gains and losses of associates accounted for on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Acquisitions of controlling interests in companies that were previously under the control of the same controlling shareholder as the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date on which control was obtained by the common controlling shareholder. For this purpose comparatives are restated. The assets and liabilities acquired are recognized at their book values of the common controlling shareholder. The components of equity of the acquired companies are added to the same components within Group equity except that any share capital of the acquired companies is recorded as part of additional paid in capital. Any cash paid for the acquisition is debited to equity.

3. Summary of the principal accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied except for the changes in accounting policy described in Note 3s.

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 production overheads. 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

Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the Russian roubles at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange gains and losses arising on translation are recognized as a part of net financing expense in the income statement.

Presentation and consolidation
For presentation and consolidation purposes all assets and liabilities at the balance sheet date are translated into US dollars at the foreign exchange rate ruling on that date. Revenues and expenses are translated into US dollars using rates approximating the foreign exchange rates ruling on the dates of the transactions. Foreign exchange gains and losses arising on translation into the presentation currency are recognized directly in the statement of changes in equity.

e. Investments

Investments are recognized (derecognized) when the Group obtains (loses) control over the contractual rights inherent in that asset. Investments are accounted for as follows:

- Investments designated at fair value through profit and loss, including investments held for trading, are stated at fair value, with any resultant gain or loss recognized in the income statement.
- Investments held-to-maturity are stated initially at cost. Subsequent to initial recognition they are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period to maturity on an effective interest basis.
- Originated loans and receivables are stated initially at cost, subject to impairment test, which is done using discounted cash flow techniques. Subsequent to initial recognition they are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period to maturity on an effective interest basis.
- Other investments are classified as available-for-sale and are stated at fair value. A gain or loss on an available-for-sale financial asset is recognized directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest, which is calculated using the effective interest method, is recognized in profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss.

The fair value of investments is their quoted bid price at the balance sheet date. If a quoted market price at the balance sheet date is not available, the fair value of the instrument is estimated using prices of transactions close to the balance sheet date or, if such prices are also not available, the discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date. Investments in equity securities that are not quoted on a stock exchange, and where fair value cannot be reliably measured by discounted cash flow techniques and other means, are stated at cost less impairment losses.

Additions to financial investments and proceeds from disposals of financial investments are shown separately in the cash flow statement, except for cash inflows and outflows on loans to bank customers, which are shown on a net basis and included, depending on the sign of net change, either in additions to financial investments or in proceeds from disposals of financial investments.

f. Property, plant and equipment

Property, plant and equipment is stated at fair market value. 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 income statement as incurred. Gains or losses on disposals of property, plant and equipment are recognized in the income statement.

Depreciation is provided so as to write off property, plant and equipment over its expected useful life. Depreciation is calculated using the straight line basis, except for depreciation on vehicles and certain metal-rolling equipment, which is calculated on the basis of mileage and units of production, respectively. The estimated useful lives of assets are reviewed regularly and revised when necessary.

(Tabular amounts expressed in thousands of US dollars)

The principal periods over which assets are depreciated are as follows:

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

With effect from December 31, 2005 management commissioned an independent appraiser to assess for the purpose of financial reporting the value of its productive property, plant and equipment at key entities of the Steel segment. As at the date of the valuation, accumulated depreciation was offset against cost, and cost was restated to fair market value. Depreciation charge for the subsequent periods is based on estimated remaining useful lives of assets.

A revaluation increase on an item of property, plant and equipment is recognised directly in equity, net of deferred tax, except to the extent that it reverses a previous revaluation decrease recognised in the income statement, in which case it is recognised in the income statement. A revaluation decrease on an item of property, plant and equipment is recognised in the income statement except to the extent that it reverses a previous revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

As the revaluation reserve is realized through depreciation and disposal of the corresponding items of property, plant and equipment the relevant portion of the revaluation reserve, net of deferred tax, is transferred directly into retained earnings.

The previous independent valuation for all productive property, plant and equipment was performed as at January 1, 2001. Management used similar procedures to value the Group's community and infrastructure assets as at January 1, 2001.

g. Goodwill and negative goodwill

Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition. All negative goodwill is recognized in the income statement as it arises.

h. Asset impairment

The carrying amount of goodwill is tested for impairment annually. The carrying amounts of the Group's other 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. Impairment losses in respect of revalued property, plant and equipment are recognised in the same way as revaluations; other impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the Group's held-to-maturity investments and loans and receivables, is calculated as the present value of expected future cash flows, discounted at the effective interest rate inherent in the asset. For other assets 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.

Reversals of impairment

An impairment loss in respect of a held-to-maturity investment, loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Dividends payable

Dividends are recognized as a liability in the period in which they are authorized by the shareholders.

j. Indirect taxes and contributions

Indirect taxes and 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, value added taxes calculated on revenues and purchases and social security costs calculated on wages and salaries. Social security costs are included in cost of sales, distribution expenses and selling, general and administrative expenses in accordance with the nature of related wages and salaries expenses.

k. Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is calculated by each entity on the pretax income determined in accordance with the tax law of a country, in which the entity is incorporated, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated 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 Group 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 that affect neither accounting nor taxable profit,
- initial recognition of goodwill.

l. Debt finance

Debt finance is stated at amortized cost, net of any transaction costs incurred, and includes accrued interest at the balance sheet date. The difference between cost and redemption value is recognized in the income statement over the period of the borrowings on an effective interest basis. Borrowing costs on loans specifically for the purchase or construction of property, plant and equipment are capitalized as part of the cost of the asset they are financing.

m. Income recognition

Sales revenues
Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Sales include all amounts billed to customers and are stated net of taxes.

Banking income
Interest income is recognized in the income statement as it accrues. Fees relating to the ongoing provision of services to customers are recognized as income in proportion to the service provided in the year.

n. Net financing (expense)/income

Net financing (expense)/income comprises interest on debt finance, amortization of transaction costs, amortization of discount on discounted assets and liabilities, interest income and foreign exchange gains and losses.

Interest is recognized in the income statement as it accrues, taking into account the effective yield on the asset and the liability.

All interest costs incurred in connection with borrowings, which are not directly attributable to the acquisition, construction or production of qualifying assets, are expensed as incurred as part of net financing expense.

o. Net income from securities operations

Net income/(expenses) from securities operations comprises dividends income, except for dividends from equity associates, realised and unrealized gains on financial assets at fair value through profit or loss, realized gains and impairment losses on available for sale and held to maturity investments.

p. Earnings per share

Earnings per share is calculated by dividing the net profit by the weighted average number of shares outstanding during the year, assuming the share split in 2004 had occurred at the start of the earliest comparative period.

q. Provisions

Retirement benefits
The Group pays retirement and post-employment medical benefits to former employees. The Group's net obligation in respect of defined retirement benefit plans is calculated separately for each defined benefit plan 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 Group'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 current year's income statement.

Other provisions
Other provisions are recognized in the balance sheet when the Group 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. Early adoption of IFRS

Management early adopted IFRS 3 *'Business Combinations'* from the first occasion on which the Group started to prepare general purpose consolidated financial statements. This standard was effective for business combinations for which agreement date is on or after March 31, 2004. If the Group had adopted this standard only from its effective date, then cumulative negative goodwill US$ 105.1 million and US$ 43.8 million would have been capitalized at December 31, 2004 and 2003, respectively, instead of being recognized directly in the income statement, and in accordance with transitional provisions set out in this standard, the amount of US$ 105.1 million would have been derecognized as an adjustment to the opening balance of retained earnings for the year ended December 31, 2005.

s. Changes in accounting policy

During the current year the Group changed a number of its accounting policies as a result of new or revised Standards that are effective for periods beginning on or after 1 January 2005 and as a result of management's review of classification and presentation policies. The following changes had a material impact on the Group's financial position or results of operations, or resulted in material changes in classification.

(Tabular amounts expressed in thousands of US dollars)

Presentation of minority interests
The following changes in presentation result from revised IAS 1 Presentation of Financial Statements:

- In the income statement, the minority interest share in the results of subsidiaries is no longer added or subtracted in arriving at the Group's net profit (loss) for the period. Instead it is presented as an allocation of the Group's net profit (loss) for the period.
- In the balance sheet, minority interests are presented as a separate component of equity rather than being presented between equity and liabilities. As a result, the statement of changes in equity shows the movement in minority interests during the period.
- Comparatives were restated to reflect these changes.

Investments
Previously the Group recognized changes in the fair value of available-for-sale investments in the income statement. Revised IAS 39 Financial Instruments: Recognition and Measurement requires that changes in the fair values of available-for-sale investments should be recognized directly in equity. This change had no impact on the Group's previously reported financial position or results of operations.

Foreign currency
Beginning from January 1, 2005 all foreign exchange differences that relate to the income statement are included into the line 'Net financing (expense)/income'. In previous periods foreign exchange gains/(losses) were allocated to different line items in the income statement depending on their nature, as shown in the table below:

	Year ended December 31,	
	2004	**2003**
Net sales	(15,918)	6,599
Cost of sales	(3,530)	(971)
Selling, general and administration expenses	910	(1,025)
Indirect taxes and contributions	303	(1,672)
Net other operating income	(32,429)	12,787
Net income from banking operations	-	(57)
Net income from securities operations	-	38,312
Net financing expense	31,585	(9,234)
Income tax expense	2	(137)
Total foreign exchange (losses)/gains recognized in income statement	(19,077)	44,602

Comparative information was restated to comply with current period presentation.

Further, previously exchange differences were calculated and included in the revaluation reserve under equity. Effective from January 1, 2005 the revaluation reserve under equity is stated at the historical exchange rate. Comparative information has been restated to conform to the current accounting policy. As a result, revaluation reserve at December 31, 2004 was decreased by US$ 38.8 million, foreign exchange differences at December 31, 2004 were increased US$ 41.7 million and accumulated earnings at December 31, 2004 were decreased by US$ 2.9 million. Amounts reported at December 31, 2003 and 2002 were not affected.

Short-term bank deposits
In previous periods net changes in short-term bank deposits were included in cash flows from operating activities of cash flow statement, as a part of changes in working capital.

(Tabular amounts expressed in thousands of US dollars)

Management reviewed this policy and decided that short-term bank deposits with original maturity of more than three months represent financial investments rather than part of working capital. Accordingly, net changes in short-term bank deposits are included in cash flows from investing activities of cash flow statement. Comparative information has been restated to conform to the current accounting policy. This resulted in increase in 'Net cash provided from operating activities' by US$ 423.1 million and US$ 107.2 million for the years ended December 31, 2004 and 2003, respectively, with a corresponding decrease in 'Cash used for investing activities'.

Cash and cash equivalents and financial investments

In previous periods, management reported most financial assets held by the consolidated bank under the separate heading 'Banking assets'. After review of this presentation practice management has decided that these assets should be presented in the balance sheet according to their nature. In addition, short-term bank deposits, which were previously included in short-term financial investments, are currently shown are a separate line of the balance sheet. This resulted in the following changes in the previously reported consolidated balance sheets:

	Currently reported December 31,		Previously reported December 31,	
	2004	**2003**	**2004**	**2003**
Cash and cash equivalents	1,081,419	523,999	924,371	463,702
Banking assets	-	-	217,286	117,559
Short-term bank deposits	555,359	127,939	-	-
Short-term financial investments	167,423	180,308	662,544	250,985
Subtotal	1,804,201	832,246	1,804,201	832,246

Other changes in presentation

As a result of management review of presentation policies, other insignificant changes were adopted and comparative information was restated to comply with current period presentation. None of these changes had an impact on net assets or net income for the reported periods.

t. New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2005, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures, which is effective for annual periods beginning on or after January 1, 2006. The amendment includes an option for actuarial gains and losses to be recognized in full as they arise, directly in the statement of changes in equity. Depending on what accounting policy will be chosen by the Group when this amendment becomes effective, the Group might change the treatment of US$ 42.0 million (2004: US$ 48.2 million, 2003: US$ 5.6 million) of actuarial losses, currently fully recognized in the income statement.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts – Financial Guarantee Contracts, which is effective for annual periods beginning on or after 1 January 2006. The amendment requires guarantees that are not insurance contracts to be measured at fair value upon initial recognition. The Group had US$ 83.8 million financial guarantee contracts at December 31, 2005 (2004: US$ 65.3 million, 2003: US$ 55.8 million) but management has not yet estimated their fair values and, accordingly, the impact of this amendment on the Group's financial position and performance cannot yet be quantified.
- IFRS 7 Financial Instruments: Disclosures, which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Group's consolidated financial instruments.

(Tabular amounts expressed in thousands of US dollars)

4. Sales

Sales by product were as follows:

	Year ended December 31,		
	2005	2004	2003
Hot rolled sheet	3,279,921	2,447,882	1,191,273
Cold rolled sheet	1,468,927	1,331,408	650,352
Galvanized sheet	1,041,711	797,078	212,127
Hot rolled sections	494,160	481,985	286,772
Semi finished products	337,937	323,502	78,508
Further processed products	275,716	262,102	211,572
Wire	253,894	249,402	117,919
Chemical by-products	67,570	69,975	47,757
Fastenings	69,544	59,662	33,815
Wire rope	72,969	62,807	27,919
Netting	29,011	28,752	13,219
Repair services	2,131	26,352	19,816
Manufactured equipment	-	23,308	2,913
Electric arc welding rods	19,977	16,114	10,659
Other	153,973	148,717	33,682
Shipping and handling costs billed to customers	405,260	334,801	258,982
	7,972,701	6,663,847	3,197,285

Sales by delivery destination were as follows:

	Year ended December 31,		
	2005	2004	2003
Russian Federation	3,300,791	2,709,513	1,854,112
United States of America (‘USA’)	2,052,284	1,787,659	3,149
Europe	999,840	1,209,435	441,090
The Middle East	353,001	340,894	193,792
China and Central Asia	532,578	123,602	304,208
Africa	148,570	116,856	99,413
Central America	172,689	161,204	62,993
South-East Asia	322,835	102,784	216,087
South America	64,417	71,628	22,441
North America (excluding the USA)	25,696	40,272	-
	7,972,701	6,663,847	3,197,285

(Tabular amounts expressed in thousands of US dollars)

5. Staff costs

Employment costs were as follows:

	Year ended December 31,		
	2005	**2004**	**2003**
Wages and salaries	(524,747)	(492,028)	(227,977)
Social security costs	(93,541)	(105,474)	(69,164)
	(618,288)	(597,502)	(297,141)
Retirement benefit costs (see note 25)	5,376	595	1,576
Actuarial losses recognized (see note 25)	(42,003)	(48,156)	(5,560)
Staff costs	(654,915)	(645,063)	(301,125)

Included within the total social security costs paid to governments are payments to state pension funds totaling US$ 66.2 million (2004: US$ 70.5 million; 2003: US$ 57.4 million).

Key management received the following remuneration during the year, which is included in the above staff costs:

	Year ended December 31,		
	2005	**2004**	**2003**
Wages and salaries	(3,040)	(3,168)	(4,275)
Social security costs	(108)	(113)	(157)
Other benefits	(114)	(251)	(250)
	(3,262)	(3,532)	(4,682)

The number of full time employees at the balance sheet date was as follows:

	December 31,		
	2005	**2004**	**2003**
Iron and steel manufacture and sales	36,330	36,485	36,858
Metal reprocessing and machining	13,373	14,828	12,906
Other activities	3,216	3,284	11,613
Total active employees	52,919	54,597	61,377
Retired employees receiving benefits	24,794	24,439	23,432
	77,713	79,036	84,809

(Tabular amounts expressed in thousands of US dollars)

6. Net income from bank lending operations

	Year ended December 31,		
	2005	**2004**	**2003**
Interest income:			
Placements with other financial institutions	3,759	1,871	861
Loans to bank customers:			
- external	5,635	3,801	2,109
- related parties	2,116	2,597	1,774
Interest expense:			
Deposits from other financial institutions	-	(3)	(410)
Client accounts:			
- external	(593)	(3,899)	(397)
- related parties	(622)	(99)	(5)
Loan loss provisions	470	(319)	(2,303)
Leasing income	29	314	327
	10,794	4,263	1,956

7. Net income/(expenses) from securities operations

	Year ended December 31,		
	2005	**2004**	**2003**
Held-for-trading securities:			
Net trading income	2,034	2,477	1,432
Restatement to fair value	298	-	2,402
Held to maturity securities and originated loans:			
Restatement to fair value	(13,783)	10,061	(10,933)
Coupon income	9	-	22
Available-for-sale securities:			
Profit on disposal	21,523	21,479	220
Impairment loss	(8,726)	(8,712)	(1,120)
Dividends received	2,459	525	392
	3,814	25,830	(7,585)

8. Net other non-operating expenses

	Year ended December 31,		
	2005	**2004**	**2003**
Social expenditure	(18,588)	(12,199)	(9,126)
Charitable donations	(12,830)	(10,272)	(8,682)
Depreciation of community and infrastructure assets	(1,200)	(1,449)	(2,302)
(Loss)/gain on disposal of subsidiaries and associates	(10,342)	20,475	(736)
	(42,960)	(3,445)	(20,846)

(Tabular amounts expressed in thousands of US dollars)

9. Net financing (expense)/income

	Year ended December 31,		
	2005	**2004**	**2003**
Interest income:			
Related parties	13,213	10,584	11,190
External banks	42,548	29,377	9,950
Interest expense:			
Related parties	-	(1,007)	(454)
External	(132,418)	(107,711)	(29,290)
Amortization of transaction costs	(2,527)	(2,322)	-
Foreign exchange (losses)/gains	(66,813)	(19,077)	44,602
	(145,997)	(90,156)	35,998

10. Taxation

The following is an analysis of the income tax expense:

	Year ended December 31,		
	2005	**2004**	**2003**
Current tax charge	(440,019)	(501,084)	(213,155)
Corrections to prior year's current tax charge	(3,610)	4,607	8,398
Deferred tax benefit	7,979	14,853	42,495
Income tax expense	(435,650)	(481,624)	(162,262)

The following is a reconciliation of the reported net income tax expense and the amount calculated by applying the Russian statutory tax rate of 24.0% to reported profit before income tax.

	Year ended December 31,		
	2005	**2004**	**2003**
Profit before income tax	1,727,315	1,890,141	766,348
Tax charge at the statutory rate	(414,556)	(453,634)	(183,924)
Non-tax deductible items	(35,303)	(21,298)	(17,836)
Activities taxed at different rates	19,827	(15,250)	11,668
Effect of exchange rate differences on temporary differences	(2,008)	3,951	19,432
Corrections to prior year's current tax charge	(3,610)	4,607	8,398
Income tax expense	(435,650)	(481,624)	(162,262)

(Tabular amounts expressed in thousands of US dollars)

The composition of, and movements in, the net deferred tax liability based on the temporary differences arising between the fiscal and reporting balance sheets of the consolidated companies, is given below:

	December 31,		
	2005	**2004**	**2003**
Deferred tax assets/(liabilities):			
Property, plant and equipment	(968,876)	(277,109)	(272,212)
Provisions	31,538	32,770	5,787
Other	(36,509)	(33,492)	18,782
	(973,847)	(277,831)	(247,643)

The movement in the net deferred tax liability is as follows:

	Year ended December 31,		
	2005	**2004**	**2003**
Opening balance	(277,831)	(247,643)	(285,447)
Recognized in income statement	7,979	14,853	42,495
Recognized in shareholders' equity	(713,198)	-	1,184
Business combinations	(76)	(37,343)	(5,875)
Business de-combinations	913	7,284	-
Foreign exchange difference	8,366	(14,982)	-
Closing balance	(973,847)	(277,831)	(247,643)

Temporary differences, related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future, amounted to US$ 565.4 million at December 31, 2005 (2004: US$ 431.4 million; 2003: US$ 194.2 million).

(Tabular amounts expressed in thousands of US dollars)

11. Cash and cash equivalents

	December 31, 2005	2004	2003
Petty cash	358	131	113
Cash at bank:			
Related party banks	-	31,096	31,555
International banks	165,654	44,345	77,124
Russian banks	116,601	431,696	80,477
Escrow accounts	18,911	33,711	56,963
Bank deposits with original maturity of three monhs or less:			
Related party banks	-	128,715	82,220
International banks	94,327	124,557	36,727
Russian banks	331,031	79,475	46,731
Cash balances of consolidated bank:			
Cash	823	1,741	1,104
Nostro accounts at the Central Bank of Russia	39,781	48,904	50,688
Nostro accounts at other banks	16,997	27,210	1,987
Placements with international banks	85,646	96,686	57,191
Placements with Russian banks	-	33,152	1,119
	870,129	1,081,419	523,999

As described in note 27 to these consolidated financial statements, the Group has a subsidiary OAO Metallurgical commercial bank ("Metcombank"). Nostro accounts of Metcombank at Central Bank of Russia and at other banks and interbank loans given by Metkombank with original maturity of three months or less are included in cash and equivalents.

12. Short-term bank deposits

Short-term bank deposits comprise of deposits with original maturity of more than three months but remaining period to maturity of less than one year. The majority of such deposits has the original maturity of less than 6 months, and such deposits are used by the Group to earn investment income, while preserving a high liquidity position. Substantially all such deposits can be withdrawn, in case of necessity, prior to the maturity date with no loss in principal but reduced interest income.

	December 31, 2005	2004	2003
Deposits at Russian banks	673,441	472,347	24,121
Deposits at international banks	-	-	82,054
Deposits at related banks	-	83,012	21,764
	673,441	555,359	127,939

As at December 31, 2005, of the short term deposits US$ nil (2004: US$ nil; 2003: US$ 80.8 million) were used as collateral to guarantee borrowings by related parties.

(Tabular amounts expressed in thousands of US dollars)

13. Short-term financial investments

	December 31,		
	2005	**2004**	**2003**
Held-for-trading securities:			
Promissory notes from related parties	4,772	10,114	18,225
Promissory notes and bonds of third parties	72,320	50,150	38,592
Quoted equity shares	1,079	826	2,192
Originated loans:			
Loans to related parties	99,750	35,143	4,313
Loans to third parties	7,705	10,867	57,395
Loans to bank customers:			
Related parties	21,945	31,009	41,612
Third parties	71,232	32,835	19,292
Loan loss provisions	(3,008)	(3,606)	(3,642)
Available-for-sale securities:			
Non-quoted equity shares	-	-	2,329
Other	-	85	-
	275,795	167,423	180,308

Loans given to related parties were provided at interest rates ranging from nil to 14% per annum, and were given to finance working capital and investments.

14. Trade accounts receivable

	December 31,		
	2005	**2004**	**2003**
Customers	472,272	461,058	170,896
Allowance for doubtful accounts	(12,121)	(4,926)	(3,837)
	460,151	456,132	167,059

(Tabular amounts expressed in thousands of US dollars)

15. Amounts receivable from related parties

	December 31,		
	2005	2004	2003
Advances paid	17,167	26,557	13,299
Trade accounts receivable	79,724	62,701	38,227
Other receivables	67,805	197,955	182,197
	164,696	287,213	233,723
Maturity analysis:			
within one year	164,696	287,213	52,280
after more than one year	-	-	181,443
	164,696	287,213	233,723

Sales and income received from related parties were as follows:

	Year ended December 31,		
	2005	2004	2003
Associates:			
Sales	1,467	12,320	1,616
Other related parties:			
Sales	486,926	368,833	280,159
Banking income	2,116	2,597	1,774
Interest income	13,213	10,584	11,190
Insurance premiums	-	3,568	6,827
	502,255	385,582	299,950

16. Inventories

	December 31,		
	2005	2004	2003
Raw materials	447,347	370,797	140,967
Work-in-progress	119,000	122,727	67,079
Finished goods	365,487	472,307	105,751
Spare parts and other inventories	60,940	58,473	30,916
	992,774	1,024,304	344,713

Of the above amounts US$ 40.2 million (2004: US$ 52.2 million; 2003: US$ 26.5 million) are stated at net realizable value, these amounts exclude inventories fully provided against.

Inventory write-downs were US$ 11.7 million for the year ended December 31, 2005 (2004: US$ 17.5 million; 2003: US$ 8.6 million).

(Tabular amounts expressed in thousands of US dollars)

17. Other current assets

	December 31, 2005	2004	2003
Advances paid	83,640	81,329	48,740
Prepayments	20,948	23,343	7,035
Other taxes and social security prepaid	5,664	6,998	468
Reserves at Central Bank of Russia	4,938	4,695	13,247
Insurance and reinsurance receivables	-	-	2,388
Other assets	5,479	6,645	12,756
	120,669	123,010	84,634

18. Long-term financial investments

	December 31, 2005	2004	2003
Originated loans:			
Loans to related parties	455,956	58,991	79,352
Loans to third parties	-	1,466	1
Available-for-sale securities:			
Shares in Lucchini SpA	187,386	-	-
Other investments in shares	9,000	30,037	44,604
Held to maturity securities:			
Promissory notes from related parties	-	-	87
Promissory notes from third parties	-	-	2,576
	652,342	90,494	126,620

On April 26, 2005 Severstal and its related parties (financed by Severstal) subscribed for new ordinary shares issued by Lucchini SpA (Italy) such that in exchange for € 430.0 million, Severstal and its related parties obtained 61.9% voting control of Lucchini SpA. Related parties, financed by Severstal, acquired from third parties additional 7.9% of the outstanding share capital of Lucchini SpA for € 61.0 million in May-June 2005, and a further 0.95% of the outstanding share capital of Lucchini SpA for € 7.5 million in November 2005.

Long-term financial assets as of December 31, 2005 include the following balances related to these transactions: US$ 187.4 million of carrying value of 19.99% shares of Lucchini SpA and US$ 407.9 million of Euro-denominated loans to related parties.

Management used the share price of the November transaction to determine the fair value of 19.99% stake in Lucchini SpA at December 31, 2005, resulting in a US$ 13.8 million gain being recognised directly in the statement of changes in equity.

(Tabular amounts expressed in thousands of US dollars)

19. Investment in associates

The Group's investment in associated companies is described in the tables below. Group structure and certain additional information on investments in associated companies, including ownership percentages, is given in note 27.

	December 31, 2005	2004	2003
Double Eagle Steel Coating Company	26,409	29,296	-
Spartan Steel Coating LLC	56,374	52,915	-
FDS Coke Holdings LLC	-	2,893	-
Severstal US Holdings LLC	59,415	-	-
Mountain State Carbon LLC	60,205	-	-
TA Cord	2,108	-	-
Air Liquide Severstal	3,214	-	-
Others	592	666	809
	208,317	85,770	809

The following is summarized financial information, in aggregate, in respect of associates:

	2005	2004	2003
Assets	476,742	174,499	5,891
Liabilities	54,569	13,628	3,705
Equity	422,173	160,871	2,186
Revenues	153,654	100,255	13,878
Net income	(3,645)	12,025	568

Double Eagle Steel Coating Company, Spartan Steel Coating LLC and FDS Coke Holdings LLC were associates of the bankrupt Rouge Steel Company, and were acquired on January 30, 2004, when the Group through its subsidiary Severstal North America Inc, acquired the assets and business of Rouge Steel Company. FDS Coke Holdings LLC was fully impaired in 2005, as a result of management impairment review.

Severstal US Holdings LLC, was created by Severstal and its related parties as a holding company for the SeverCorr project – construction of a mini mill in the United States of America. SeverCorr's mini mill is expected to produce approximately 1.5 million tons of high-quality flat-rolled steel on an annual basis. Total financing requirements of this project are approximately US$ 880.0 million, and the project will be financed by Severstal, its related parties, third party equity participants and bank financing. Severstal have contributed to the project US$ 48.0 million in September 2005 and US$ 16.8 million in October 2005. Related parties of Severstal have contributed to the project US$ 32.1 million in September 2005 and US$ 13.4 million in October 2005. Subsequent to December 31, 2005, Severstal contributed a further US$ 28.5 million to the project, and Severstal's related parties contributed US$ 21.4 million. Severstal has the obligation to provide future financing in the amount of US$ 108.6 million by June 13, 2006, and have issued guarantees to third parties in the amount of US$ 10.0 million.

The Group, through its subsidiary Severstal North America Inc, has contributed US$ 50.0 million in September 2005 and US$ 10.0 million in November 2005 to the Mountain State Carbon LLC, a joint venture with Wheeling-Pittsburgh Steel Corporation ("Wheeling-Pittsburgh"). Wheeling-Pittsburgh has contributed to the joint venture all of its coking assets in Follansbee, USA, valued at US$ 86.9 million, and US$ 3.1 million in cash. Subsequent to December 31, 2005, the Group has contributed US$ 30.0 million to the Mountain State Carbon LLC, and will contribute an additional US$ 30.0 million by July 2006. This cash and US$ 30.0 million of additional contributions from Wheeling-Pittsburgh over the next three years will be used to rehabilitate all of the coke batteries of the joint venture and provide the Group's US integrated steel operations a reliable and competitive supply of metallurgical coke. Each partner has a 50% share in Mountain State Carbon LLC from April 2006.

On August 31, 2005, the Group and Air Liquide established a company Air Liquide Severstal for construction of an air liquefaction plant in Cherepovets. The Group is to contribute € 7.5 million for 25% ownership plus one share, Air Liquide is to contribute € 22.5 million for 75% ownership minus one share. The remaining project financing requirements of € 70.0 million will be financed through bank loans.

(Tabular amounts expressed in thousands of US dollars)

20. Property, plant & equipment

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

	Buildings and constructions	Plant and machinery	Other productive assets	Total productive assets	Community and infrastructure assets	Construction -in-progress	Total assets
Valuation or cost:							
December 31, 2004	439,646	2,243,403	87,128	2,770,177	36,311	669,111	3,475,599
Reclassifications	7,234	(7,417)	678	495	(495)	-	-
Additions:							
External	331	1,380	302	2,013	876	824,990	827,879
Interest capitalised	-	-	-	-	-	12,176	12,176
Business combinations	3,983	-	53	4,036	-	-	4,036
Disposals:							
External	(3,436)	(55,773)	(5,557)	(64,766)	(307)	(9,397)	(74,470)
Business de-combinations	(5,542)	(5,720)	(24)	(11,286)	-	(258)	(11,544)
Transfer to inventories	-	-	-	-	-	(8,159)	(8,159)
Transfers	85,611	364,627	19,180	469,418	20,616	(490,034)	-
Foreign exchange difference	(17,062)	(84,234)	(3,643)	(104,939)	(1,661)	(24,949)	(131,549)
	510,765	2,456,266	98,117	3,065,148	55,340	973,480	4,093,968
Adjustment to fair market value	415,125	1,611,484	51,894	2,078,503	(36,678)	(82,801)	1,959,024
December 31, 2005	925,890	4,067,750	150,011	5,143,651	18,662	890,679	6,052,992
Depreciation and impairment:							
December 31, 2004	112,034	723,822	34,767	870,623	17,644	98,561	986,828
Reclassifications	3,555	(3,394)	(10)	151	(151)	-	-
Depreciation expense	28,748	212,466	13,238	254,452	1,273	-	255,725
Disposals - external:							
External	(1,348)	(31,169)	(3,952)	(36,469)	(295)	(2,962)	(39,726)
Business de-combinations	(625)	(2,011)	(10)	(2,646)	-	-	(2,646)
Transfers	400	6,080	656	7,136	17,071	(24,207)	-
Impairment of assets:							
included in income statement	-	760	-	760	4,411	11,012	16,183
Foreign exchange difference	(4,581)	(28,902)	(1,474)	(34,957)	(1,018)	(3,262)	(39,237)
	138,183	877,652	43,215	1,059,050	38,935	79,142	1,177,127
Adjustment to fair market value	(120,054)	(836,628)	(37,246)	(993,928)	(36,678)	(78,979)	(1,109,585)
December 31, 2005	18,129	41,024	5,969	65,122	2,257	163	67,542
Net book values:							
December 31, 2004	327,612	1,519,581	52,361	1,899,554	18,667	570,550	2,488,771
December 31, 2005	907,761	4,026,726	144,042	5,078,529	16,405	890,516	5,985,450
Net book values based on cost, less depreciation and impairment:							
December 31, 2004	311,909	618,397	52,362	982,668	18,667	570,550	1,571,885
December 31, 2005	509,023	819,589	52,762	1,381,374	16,405	890,516	2,288,295
Adjustment to fair market value during 2005:							
Cost	415,125	1,611,484	51,894	2,078,503	(36,678)	(82,801)	1,959,024
Accumulated depreciation	120,054	836,628	37,246	993,928	36,678	78,979	1,109,585
	535,179	2,448,112	89,140	3,072,431	-	(3,822)	3,068,609

Other productive assets include transmission equipment, transportation equipment and tools.

Impairment of assets, which was recognized during 2005 before the revaluation, primarily relates to social objects purchased or constructed by the Group. The amounts of costs incurred in purchase or construction of social objects, which are not expected to be profit-generating, are normally impaired as incurred.

As described in Note 3f, the Group uses the revaluation model of accounting for property, plant and equipment. Management commissioned independent appraisers to evaluate the fair value of productive property, plant and equipment as of December 31, 2005 of the key entities of the Steel segment – the Parent Company and Severstal North America LLC. Management considers that the carrying value of property, plant and equipment of other business segments approximate their fair values as of the balance sheet date. The impact of the independent appraisers' valuation report on the property, plant and equipment is shown in the lines "Adjustment to fair market value" in the tables above and is further described in the tables below.

The majority of the Group's property, plant and equipment is specialised in nature and can not be sold on the open market other than as part of a continuing business. In the absence of the active market for similar items, the fair value of property, plant and equipment was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

The depreciated replacement cost was estimated based on internal sources and analysis of the Russian and international markets for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data and industry experts and suppliers of property, plant and equipment were contacted both in the Russian Federation and abroad.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the recoverability of values, based on the depreciated replacement cost. The results of cash flow testing confirmed that the estimated future cash flows from each cash generating unit are higher than the depreciated replacement cost, which therefore represents the fair value of property, plant and equipment.

The fair value of property, plant and equipment was determined on an item-by-item basis. Where the carrying value of an individual item prior to the revaluation exceeded the current fair value, a revaluation decrease was recognized. Revaluation decreases were mainly driven by decreases in purchase prices of certain types of production equipment and by reduction of the estimated remaining useful lives for certain items of property, plant and equipment. To the extent that such revaluation decrease related to a previously recognized revaluation increase, it was recognized directly in equity, and the remaining amount was recognized as an impairment loss in the income statement.

(Tabular amounts expressed in thousands of US dollars)

The following amounts were recognized in the income statement and statement of changes in equity as a result of the revaluation:

	Buildings and constructions	Plant and machinery	Other productive assets	Total productive assets	Community and infrastructure assets	Construction -in-progress	Total assets
Adjustment to fair market value:							
Revaluation included in equity:							
revaluation increase	393,764	2,504,042	91,278	2,989,084	-	-	2,989,084
revaluation decrease	-	(20,993)	(1)	(20,994)	-	-	(20,994)
	393,764	2,483,049	91,277	2,968,090	-	-	2,968,090
Revaluation included in income statement:							
reversal of previous impairment	143,843	11,428	278	155,549	-	-	155,549
impairment	(2,428)	(46,365)	(2,415)	(51,208)	-	(3,822)	(55,030)
	141,415	(34,937)	(2,137)	104,341	-	(3,822)	100,519
	535,179	2,448,112	89,140	3,072,431	-	(3,822)	3,068,609

The gain of US$ 84,336 thousand recognized in the income statement for the year ended December 31, 2005 under the caption 'Reversal of impairment/(impairment) of property, plant and equipment, net' is composed of the following amounts:

Amounts related to revaluation:	
Reversal of previously recognized impairment loss	155,549
Impairment loss	(55,030)
Impairment loss recognized in 2005 prior to revaluation	(16,183)
	84,336

21. Bank customer accounts

	December 31, 2005	December 31, 2004	December 31, 2003
Customer accounts:			
Demand deposits	26,997	42,825	49,514
Term deposits	68,365	1,865	713
Deposits from other financial institutions	3,505	5	652
	98,867	44,695	50,879

(Tabular amounts expressed in thousands of US dollars)

22. Amounts payable to related parties

	December 31,		
	2005	**2004**	**2003**
Associates:			
Trade accounts payable	14,149	4,217	-
Other related parties:			
Trade accounts payable	140,649	64,302	23,540
Advances received	1,900	1,874	1,909
Other accounts payable	162	122	16,534
Bank demand deposits	16,302	11,827	472
Bank term deposits	17,424	29,751	85
	190,586	112,093	42,540

Purchases from related parties were as follows:

	Year ended December 31,		
	2005	**2004**	**2003**
Purchases from associates:			
Non-capital purchases	85,420	68,114	-
Purchases from other related parties:			
Non-capital purchases	1,346,002	817,095	596,774
Capital purchases	175,055	23,003	773
Bank expenses	622	99	5
Insurance claims paid	-	2,307	680

(Tabular amounts expressed in thousands of US dollars)

23. Debt finance

	December 31,		
	2005	2004	2003
International banks	1,342,181	1,222,988	276,827
Russian banks	199,719	181,687	134,901
Related party banks	-	-	6,251
Bonds issued in Russia	104,230	108,113	101,852
Factoring of receivables	16,801	22,924	1,240
Promissory notes issued	-	3,650	5,734
Other	698	4,933	230
Accrued interest	23,466	21,912	1,970
Unamortized balance of transaction costs	(16,064)	(13,062)	-
	1,671,031	1,553,145	529,005
Total debt is denominated in the following currencies:			
US dollars	1,228,626	1,172,042	237,602
Roubles	281,751	302,801	270,333
Euro	160,654	78,302	21,070
	1,671,031	1,553,145	529,005
Total debt is contractually repayable after the balance sheet date as follows:			
Less than one year	252,858	227,821	186,088
Between one and five years	1,001,245	939,826	323,169
More than five years	416,928	385,498	19,748
	1,671,031	1,553,145	529,005

Debt finance raised from banks and unused long term credit lines are secured by charges over:

- US$ 50.5 million (2004: US$ 144.4 million; 2003: US$ 133.6 million) net book value of plant and equipment;
- US$ 1,296.2 million (2004: US$ 508.2 million; 2003: US$ 67.2 million) of current assets; and,
- US$ 97.1 million (2004: US$ 39.5 million; 2003: US$ 60.3 million) of financial assets.

At the balance sheet date the Group had US$ 319.9 million (2004: US$ 289.2 million; 2003: US$ 286.4 million) of unused long term credit lines available to it.

(Tabular amounts expressed in thousands of US dollars)

24. Other current liabilities

	December 31, 2005	2004	2003
Advances received	112,950	108,005	85,896
Amounts payable to employees	45,898	48,660	22,724
Accrued expenses	16,162	12,590	2,819
Insurance and reinsurance payables	-	-	13,014
Lease liabilities	180	351	246
Other liabilities	3,496	4,205	5,345
	178,686	173,811	130,044

25. Other non-current liabilities

	December 31, 2005	2004	2003
Retirement benefit liability	133,977	98,574	31,827
Insurance related reserves	-	623	7,717
Lease liabilities	32	450	447
Other	6,495	5,503	-
	140,504	105,150	39,991

The following assumptions have been used to calculate the retirement benefit liability:

	December 31, 2005		2004		2003
	USA	Russia	USA	Russia	Russia
Discount rate	5.50%	6.85%	5.75%	8.50%	8.27%
Future rate of benefit increase	0.00%	6.20%	0.00%	6.20%	0.00%
Future rate of medical cost increases	0.00%	n/a	11.00%	n/a	n/a

Under the terms of a collective bargaining agreement, the Group's US subsidiary is obliged to compensate for medical cost increases only during 2005. Any further increases in healthcare costs are to be borne by the plan beneficiaries.

(Tabular amounts expressed in thousands of US dollars)

The components in the retirement benefit liabilities were as follows:

	December 31,		
	2005	**2004**	**2003**
Retirees	78,049	52,293	35,045
Other participants:			
Vested	17,743	12,805	7,700
Non-vested	87,253	83,722	18,539
Present value of the defined benefit obligation	183,045	148,820	61,284
Fair value of the plan assets	(49,068)	(50,246)	(29,457)
	133,977	98,574	31,827

The movements in the retirement benefit liabilities were as follows:

	Year ended December 31,		
	2005	**2004**	**2003**
Net liability at beginning of year	98,574	31,827	38,288
Business combinations	-	31,368	-
Business de-combinations	-	(4,770)	-
Contributions made during the year	(7,981)	(17,406)	(18,913)
Amounts recognized in the income statement:			
Expected return on plan assets	(9,016)	(3,143)	(2,462)
Interest cost	9,656	6,990	4,493
Service cost	3,640	2,548	886
Actuarial losses	42,003	48,156	5,560
Foreign exchange (gain)/loss	(2,899)	3,004	3,975
Net liability at end of year	133,977	98,574	31,827

The retirement benefit expenses that are recognized in the income statement are contained in the caption: ‘Selling, general and administrative expenses’, except for the interest cost, which is recognized in the caption ‘Net financing (expense)/income’.

26. Share capital

The Parent Company’s authorized capital, according to its Charter Document, at the balance sheet date comprised 551,854,800 ordinary shares with a nominal value of RUR 0.01 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.

(Tabular amounts expressed in thousands of US dollars)

Consequently, the total value of share capital presented in these consolidated financial statements comprises:

	December 31,		
	2005	**2004**	**2003**
Nominal share capital at current exchange rate	192	199	187
Historic difference	3,310,937	3,310,930	3,310,942
Total historic value of share capital	3,311,129	3,311,129	3,311,129

All authorized share capital was issued and fully paid at each balance sheet date. All shares carry equal voting and distribution rights. The movements in shares during the period were as follows:

	Shares issued and fully paid
As at December 31, 2003	22,074,192
Share split (1 to 25 effective December 30, 2004)	529,780,608
As at December 31, 2005 and 2004	551,854,800

Dividends

The maximum dividend payable is restricted to the total accumulated retained earnings of the parent company determined according to Russian law. As at the balance sheet date, reserves available for distribution were US$ 3,308.6 million (2004: US$ 2,471.7 million; 2003: US$ 1,283.4 million).

On June 10, 2005, the Meeting of Shareholders approved the final dividend of RUR 3.00 (US$ 0.11) per share in respect of 2004, and an interim dividend of RUR 4.00 (US$ 0.14) per share in respect of the first quarter of 2005.

On September 22, 2005, the Meeting of Shareholders approved an interim dividend of RUR 3.90 (US$ 0.14) per share in respect of the first half of 2005.

On December 6, 2005, the Meeting of Shareholders approved an interim dividend of RUR 3.00 (US$ 0.10) per share in respect of the first nine months of 2005.

Share issue subsequent to December 31, 2005

As described in note 28, subsequent to December 31, 2005, the Group initiated issuance of additional shares by the Parent Company to acquire controlling stakes in coal and iron ore mining assets currently controlled by its majority shareholder.

27. Subsidiary and associated companies

The following is a list of the Group’s significant subsidiaries and associates and the effective holdings of ordinary shares therein.

(Tabular amounts expressed in thousands of US dollars)

Company	December 31, 2005	2004	2003	Location	Activity
Steel segment - Russia:					
Subsidiaries:					
ZAO Severgal	75.0%	75.0%	75.0%	Russia	Hot dip galvanizing
ZAO Izhorsky Tube Factory	100.0%	100.0%	100.0%	Russia	Wide pipes
Severstal Export GmbH	99.8%	99.8%	99.8%	Switzerland	Steel sales
AS Severstallat	50.5%	50.5%	50.5%	Latvia	Steel sales
Latvijas Metals	50.5%	nil%	nil%	Latvia	Steel sales
OOO AviaCompany Severstal	100.0%	100.0%	100.0%	Russia	Air transport
OOO SSM-Tyazhmash	nil%	nil%	100.0%	Russia	Repairs & construction
OAO Domnaremont	nil%	nil%	56.4%	Russia	Repairs & construction
OAO Metallurgremont	nil%	nil%	78.3%	Russia	Repairs & construction
ZAO Firma Stoik	nil%	nil%	100.0%	Russia	Repairs & construction
OOO Energoremont	nil%	nil%	100.0%	Russia	Repairs & construction
OOO Uralmash MO	nil%	nil%	100.0%	Russia	Engineering & design
Associates:					
Severstal US Holdings LLC *	19.9%	nil%	nil%	USA	Mini-mill
Armaturu Servisa Centrs SIA	25.0%	25.0%	25.0%	Latvia	Steel service center
(*) – 59.95% of total capital, which includes preference shares					
Steel segment - USA:					
Subsidiaries:					
Severstal North America Inc	93.0%	100.0%	nil%	USA	Iron & steel mill
Associates:					
Double Eagle Steel Coating company	46.5%	50.0%	nil%	USA	Electro-galvanizing
Spartan Steel Coating LLC	44.6%	48.0%	nil%	USA	Hot dip galvanizing
Delaco Processing LLC	45.6%	49.0%	nil%	USA	Steel slitting
FDS Coke Holdings LLC	41.9%	45.0%	nil%	USA	Coking coal
Mountain State Carbon LLC	31.0%	nil%	nil%	USA	Coking coal
Metalware segment:					
Subsidiaries:					
ZAO Severstal-Metiz	100.0%	nil%	nil%	Russia	Management company
OAO Cherepovets Steel Rolling Mill	88.8%	83.1%	82.3%	Russia	Steel machining
OAO Orlovsky Steel Rolling Mill **	92.0%	89.8%	89.8%	Russia	Steel machining
OOO Volgometiz	100.0%	100.0%	nil%	Russia	Steel machining
OOO Policher	80.0%	74.8%	41.2%	Russia	Polymer coatings
Associates:					
OOO ChSPZ MKR	44.4%	41.5%	41.2%	Russia	Mattress springs
(**) –87.2% of total capital, which includes preference shares					
Insurance segment:					
Subsidiaries:					
OAO Insurance Company Sheksna	nil%	nil%	92.2%	Russia	Insurance
OAO Sheksna-M	nil%	nil%	92.2%	Russia	Medical insurance
OOO Sheksna-Life	nil%	nil%	nil%	Russia	Life insurance
Star Insurance Company Ltd	14.0%	100.0%	100.0%	UK	Insurance
Financing segment:					
Subsidiaries:					
OAO Metallurgical Commercial Bank	72.6%	71.4%	72.5%	Russia	Banking
OOO Promleasing	13.8%	13.6%	56.3%	Russia	Leasing

(Tabular amounts expressed in thousands of US dollars)

In addition, at the balance sheet date, a further 22 (2004: 55; 2003: 87) subsidiaries and associates, which are not material to the Group, either individually or in aggregate, have been included in these consolidated financial statements.

'Steel segment – Russia' contains Russian production entities, foreign trading companies, which are selling products primarily produced in Russia, and other foreign companies, which either provide services to Russian production entities or are managed from Russia.

Information on carrying amounts, acquisitions and disposals of associated companies is disclosed in Note 19 of these consolidated financial statements.

Acquisitions of subsidiaries and additional interests in subsidiaries during 2005

During the first six months of 2005, the Group bought 84.8% of new share issue by OAO Cherepovets Steel Rolling Mill ("ChSPZ") for US$ 32.4 million and minority shareholders purchased 15.2% of this share issue for US$ 5.8 million. Subsequently the Group acquired an additional 4.99% in ChSPZ for US$ 5.4 million from third parties. Net assets of ChSPZ at the time of acquisition were US$ 162.0 million, resulting in recognition of US$ 2.7 million of negative goodwill.

ZAO Severstal-Metiz was a holding company that managed the activities of the Metalware segment, provided all administrative services to the companies of the Metalware segment and was the sole sales and procurement organization for the Metalware segment. In January 2005, Severstal acquired 100.0% of the outstanding share capital of ZAO Severstal-Metiz, from a company under common shareholder control, for US$ 0.8 million.

During 2005 Severstal transferred to ZAO Severstal-Metiz its ownership interests in the metalware companies ChSPZ and OAO Orlovsky Steel Rolling Mill ("OSPaZ"). Effective January 1, 2006, ChSPZ and OSPaZ legal entities were merged into ZAO Severstal-Metiz. In December 2005, Volgometiz transferred all its principal assets and liabilities to ZAO Severstal-Metiz. As a result of these transactions, from January 1, 2006 ZAO Severstal-Metiz is the principal operating company of metalware segment.

During 2005, AS Severstallat, a 50.5% subsidiary of the Group, acquired 100% of Latvijas Metals for US$ 5.5 million. Latvijas Metals is the metals trader in Baltic states, and the acquisition was undertaken to strengthen the Group's position in this market. A summary of acquired assets and liabilities is presented below:

Cash and cash equivalents	657
Trade accounts receivable	1,311
Inventories	4,906
Other current assets	792
Property, plant and equipment	4,036
Trade accounts payable	(199)
Other taxes and social security payable	(144)
Other current liabilities	(151)
Debt finance	(841)
Net identifiable assets and liabilities acquired	10,367
Consideration paid	(5,537)
Negative goodwill	4,830

28. Subsequent events

Additional share issue subsequent to December 31, 2005
On March 27, 2006, the Meeting of Shareholders of the Parent Company approved the additional share issue to acquire controlling stakes in coal and iron ore mining assets currently controlled by its majority shareholder and approved an independent appraiser.

On March 29, 2006, the Board of Directors approved the independent appraiser's valuations of the Parent Company shares being issued at RUR 320.74 per share (US$ 11.24 at the exchange rate on the date of valuation - October 1, 2005) and of the mining assets being acquired at RUR 117,202 million (US$ 4,107 million at the exchange date on the date of valuation – October 1, 2005).

Shareholders of the Parent Company, which were entitled to voting but did not participate in it or voted against the deal, have the right to participate in additional share issue by purchasing for cash the amount of shares that maintains their current shareholding interest at a price of RUR 320.74 per share. The market price of shares on March 27, 2006 was RUR 384 (US$ 13.79) per share. Shareholders, owning approximately 16.5% of the outstanding share capital, are entitled to such purchase.

On April 14, 2006, the Board of Directors called for an extraordinary shareholder meeting on May 29, 2006 to approve the price and other terms of the share issue for acquiring the mining assets.

Acquisitions of subsidiaries subsequent to December 31, 2005
In February 2006, the Group acquired 60% ownership interest in joint stock company Dneprometiz for US$ 33 million. Severstal also obtained an option to buy after expiry of one year an additional 27% stake of the share capital for a consideration in the range from US$ 14.0 to US$ 20.0 million. Dneprometiz produces wire and certain other metalware products at its production facilities located in Ukraine.

In April 2006, the Group acquired 100% of Carrington Wire Ltd., a UK wire and other metalware products producer, for US$ 35 million.

These acquisitions were conducted to strengthen the Group's position in the metalware market. Management does not currently possess all necessary information to disclose the effect of these subsequent acquisitions.

Subsequent to December 31, 2005, the Group has initiated the process of purchasing back the controlling stakes in repair and construction companies, which were disposed by the Group on December 31, 2004 to related parties. This purchase, together with the acquisition of mining assets, would allow the Group to become a fully integrated steel company. Purchase prices would be determined in accordance with independent appraisers' reports. Management expects that total consideration for the stakes in these companies would not deviate significantly from the amounts received by the Group for their disposal on December 31, 2004 and is unlikely to exceed US$ 70 million.

Contributions to equity associates subsequent to December 31, 2005
Contributions by the Group to its equity associates that were made subsequent to December 31, 2005, are described in note 19 to these consolidated financial statements.

(Tabular amounts expressed in thousands of US dollars)

29. Segment information

Segmental balance sheets as at December 31, 2005:

	Steel segment		Metalware	Financing	Inter segment	Conso-
	Russia	USA	segment	segment	balances	lidated
Assets						
Current assets:						
Cash and cash equivalents	779,230	-	3,921	143,246	(56,268)	870,129
Short-term bank deposits	718,705	-	18,274	-	(63,538)	673,441
Short-term financial investments	263,736	-	15,619	143,999	(147,559)	275,795
Trade accounts receivable	265,958	166,541	27,652	-	-	460,151
Amounts receivable from related parties	165,498	970	9,411	-	(11,183)	164,696
Inventories	542,303	401,146	59,457	-	(10,132)	992,774
VAT receivable	304,185	-	33,797	-	-	337,982
Income tax receivable	13	-	914	-	-	927
Other current assets	84,478	22,964	8,041	5,186	-	120,669
Total current assets	3,124,106	591,621	177,086	292,431	(288,680)	3,896,564
Non-current assets:						
Long-term financial investments	985,961	-	7,601	-	(341,220)	652,342
Investment in associates	63,209	142,988	2,120	-	-	208,317
Property, plant and equipment	5,789,462	83,863	111,734	391	-	5,985,450
Intangible assets	4,950	-	1,418	50	-	6,418
Total non-current assets	6,843,582	226,851	122,873	441	(341,220)	6,852,527
Total assets	9,967,688	818,472	299,959	292,872	(629,900)	10,749,091
Liabilities and shareholders' equity						
Current liabilities:						
Trade accounts payable	179,982	129,040	7,354	-	1,517	317,893
Bank customer accounts	-	-	-	218,673	(119,806)	98,867
Amounts payable to related parties	143,030	14,149	10,610	33,725	(10,928)	190,586
Income taxes payable	29,131	14,183	104	-	-	43,418
Other taxes and social security payable	14,568	1,681	16,063	-	-	32,312
Short-term debt finance	237,801	143,818	20,560	-	(149,321)	252,858
Dividends payable	12,275	-	-	-	-	12,275
Other current liabilities	145,830	22,169	10,587	100	-	178,686
Total current liabilities	762,617	325,040	65,278	252,498	(278,538)	1,126,895
Non-current liabilities:						
Long-term debt finance	1,413,690	-	4,483	-	-	1,418,173
Deferred tax liabilities	906,694	62,508	8,462	466	(4,283)	973,847
Other non-current liabilities	73,810	45,340	21,354	-	-	140,504
Total non-current liabilities	2,394,194	107,848	34,299	466	(4,283)	2,532,524
Total equity	6,810,877	385,584	200,382	39,908	(347,079)	7,089,672
Total equity and liabilities	9,967,688	818,472	299,959	292,872	(629,900)	10,749,091

(Tabular amounts expressed in thousands of US dollars)

Segmental balance sheets as at December 31, 2004:

	Steel segment		Metalware	Financing	Insurance	Inter segment	Conso-
	Russia	USA	segment	segment	segment	balances	lidated
Assets							
Current assets:							
Cash and cash equivalents	1,029,139	4,412	3,858	207,693	4,633	(168,316)	1,081,419
Short-term bank deposits	555,359	-	-	-	-	-	555,359
Short-term financial investments	106,956	85	102	120,373	-	(60,093)	167,423
Trade accounts receivable	325,571	101,815	28,746	-	-	-	456,132
Amounts receivable from related parties	291,513	1,053	8,423	-	-	(13,776)	287,213
Inventories	577,556	385,220	69,929	-	-	(8,401)	1,024,304
VAT receivable	147,123	-	26,249	-	-	-	173,372
Income tax receivable	40,675	6	3,264	-	-	-	43,945
Other current assets	90,772	18,883	8,405	4,948	2	-	123,010
Total current assets	3,164,664	511,474	148,976	333,014	4,635	(250,586)	3,912,177
Non-current assets:							
Long-term financial assets	463,128	-	1,156	827	-	(374,617)	90,494
Investment in associates	408	85,104	7,618	-	-	(7,360)	85,770
Property, plant and equipment	2,285,997	69,587	132,663	524	-	-	2,488,771
Intangible assets	4,868	-	1,418	100	-	-	6,386
Total non-current assets	2,754,401	154,691	142,855	1,451	-	(381,977)	2,671,421
Total assets	5,919,065	666,165	291,831	334,465	4,635	(632,563)	6,583,598
Liabilities and shareholders' equity							
Current liabilities:							
Trade accounts payable	195,923	107,620	8,428	-	-	-	311,971
Bank customer accounts	-	-	-	44,695	-	-	44,695
Amounts payable to related parties	68,774	2,427	14,916	255,550	-	(229,574)	112,093
Income taxes payable	21,059	9,403	3	-	-	-	30,465
Other taxes and social security payable	15,653	2,396	14,463	8	-	-	32,520
Short-term debt finance	194,750	18,568	27,115	-	-	(12,612)	227,821
Dividends payable	18,440	-	-	-	-	-	18,440
Other current liabilities	139,559	22,449	11,623	169	11	-	173,811
Total current liabilities	654,158	162,863	76,548	300,422	11	(242,186)	951,816
Non-current liabilities:							
Long-term debt finance	1,318,812	-	6,512	-	-	-	1,325,324
Deferred tax liabilities	216,784	52,351	12,482	(108)	-	(3,678)	277,831
Other non-current liabilities	48,175	39,513	16,839	-	623	-	105,150
Total non-current liabilities	1,583,771	91,864	35,833	(108)	623	(3,678)	1,708,305
Total equity	3,681,136	411,438	179,450	34,151	4,001	(386,699)	3,923,477
Total equity and liabilities	5,919,065	666,165	291,831	334,465	4,635	(632,563)	6,583,598

(Tabular amounts expressed in thousands of US dollars)

Segmental balance sheets as at December 31, 2003:

	Steel segment	Metalware segment	Financing segment	Insurance segment	Inter segment balances	Conso-lidated
Assets						
Current assets:						
Cash and cash equivalents	515,241	4,100	112,089	32,079	(139,510)	523,999
Short-term bank deposits	127,939	-	-	-	-	127,939
Short-term financial investments	59,213	29	100,099	36,295	(15,328)	180,308
Trade accounts receivable	148,120	18,472	467	-	-	167,059
Amounts receivable from related parties	55,854	2,629	211	9,482	(15,896)	52,280
Inventories	308,230	41,208	23	78	(4,826)	344,713
VAT receivable	75,239	8,043	353	-	-	83,635
Income tax receivable	1,331	-	-	885	-	2,216
Other current assets	61,401	5,436	13,775	4,027	(5)	84,634
Total current assets	1,352,568	79,917	227,017	82,846	(175,565)	1,566,783
Non-current assets:						
Amounts receivable from related parties	181,443	-	-	-	-	181,443
Long-term financial investments	213,431	1,882	1,014	2,535	(92,242)	126,620
Investment in associates	120	6,851	-	-	(6,162)	809
Property, plant and equipment	1,876,081	114,733	2,093	2,674	-	1,995,581
Intangible assets	1,010	1,418	139	-	-	2,567
Total non-current assets	2,272,085	124,884	3,246	5,209	(98,404)	2,307,020
Total assets	3,624,653	204,801	230,263	88,055	(273,969)	3,873,803
Liabilities and shareholders' equity						
Current liabilities:						
Trade accounts payable	102,960	4,992	807	-	-	108,759
Bank customer accounts	-	-	50,879	-	-	50,879
Amounts payable to related parties	40,999	9,321	149,994	4	(157,778)	42,540
Income taxes payable	5,395	480	92	-	-	5,967
Other taxes and social security payable	16,084	1,222	294	32	-	17,632
Debt finance	174,246	12,947	20	6,066	(7,191)	186,088
Dividends payable	39,481	-	-	-	-	39,481
Other current liabilities	111,612	4,995	165	13,277	(5)	130,044
Total current liabilities	490,777	33,957	202,251	19,379	(164,974)	581,390
Non-current liabilities:						
Debt finance	342,917	-	-	-	-	342,917
Deferred tax liabilities	229,857	10,615	(365)	7,765	(229)	247,643
Other non-current liabilities	24,884	7,390	-	16,683	(8,966)	39,991
Total non-current liabilities	597,658	18,005	(365)	24,448	(9,195)	630,551
Total equity	2,536,218	152,839	28,377	44,228	(99,800)	2,661,862
Total liabilities and shareholders' equity	3,624,653	204,801	230,263	88,055	(273,969)	3,873,803

(Tabular amounts expressed in thousands of US dollars)

Segmental income statements for the year ended December 31, 2005:

	Steel segment		Metalware	Financing	Inter segment	Conso-
	Russia	USA	segment	segment	balances	lidated
Sales						
Sales - external	5,099,105	1,822,573	562,630	-	-	7,484,308
Sales - to related parties	773,296	-	56,200	-	(341,103)	488,393
	5,872,401	1,822,573	618,830	-	(341,103)	7,972,701
Cost of sales	(3,358,810)	(1,716,332)	(556,963)	-	339,372	(5,292,733)
Gross profit	2,513,591	106,241	61,867	-	(1,731)	2,679,968
Selling, general and administrative expenses	(201,121)	(29,539)	(36,882)	(1,903)	-	(269,445)
Distribution expenses	(507,774)	-	(27,848)	-	-	(535,622)
Indirect taxes and contributions	(25,724)	-	(3,444)	(129)	-	(29,297)
Share of associates' (losses)/profits	(4,968)	2,749	(2,047)	-	-	(4,266)
Net income from bank lending operations	-	-	-	6,250	4,544	10,794
Net income/(expenses) from securities operation	673	505	470	3,461	(1,295)	3,814
Loss/(gain) on disposal of property, plant and equipment	(29,618)	(184)	(1,885)	10	-	(31,677)
Net other operating (expenses)/income	(3,202)	1,981	(273)	1,531	-	37
Profit from operations	1,741,857	81,753	(10,042)	9,220	1,518	1,824,306
Reversal of impairment/(impairment) of property, plant and equipment, net	85,250	-	(914)	-	-	84,336
Negative goodwill	4,830	-	-	-	2,800	7,630
Net other non-operating expenses	(29,029)	-	(4,142)	-	(9,789)	(42,960)
Profit before financing and taxation	1,802,908	81,753	(15,098)	9,220	(5,471)	1,873,312
Net financing (expense)/income	(128,107)	(12,524)	197	-	(5,563)	(145,997)
Profit before income tax	1,674,801	69,229	(14,901)	9,220	(11,034)	1,727,315
Income tax expense	(404,802)	(27,088)	(2,819)	(2,378)	1,437	(435,650)
Profit for the year	1,269,999	42,141	(17,720)	6,842	(9,597)	1,291,665
Attributable to:						
shareholders of OAO Severstal	1,268,947	40,628	(16,153)	4,967	(9,617)	1,288,772
minority interest	1,052	1,513	(1,567)	1,875	20	2,893
Additional information:						
depreciation expense	228,870	7,159	19,550	146	-	255,725
revaluation of assets recognized in equity:						
revaluation increase	2,980,525	8,559	-	-	-	2,989,084
revaluation decrease	(20,994)	-	-	-	-	(20,994)

(Tabular amounts expressed in thousands of US dollars)

Segmental income statements for the year ended December 31, 2004:

	Steel segment Russia	Steel segment USA	Metalware segment	Financing segment	Insurance segment	Inter segment balances	Conso-lidated
Sales							
Sales - external	4,428,230	1,332,733	521,731	-	-	-	6,282,694
Sales - to related parties	674,532	10,563	45,484	-	-	(349,426)	381,153
	5,102,762	1,343,296	567,215	-	-	(349,426)	6,663,847
Cost of sales	(2,672,730)	(1,201,880)	(487,544)	-	-	343,129	(4,019,025)
Gross profit	2,430,032	141,416	79,671	-	-	(6,297)	2,644,822
Selling, general and administration expenses	(203,355)	(17,748)	(32,881)	(2,468)	(5,219)	21,574	(240,097)
Distribution expenses	(418,658)	-	(18,876)	-	-	2,723	(434,811)
Indirect taxes and contributions	(22,264)	(19)	(2,759)	(149)	(75)	-	(25,266)
Share of associates' (losses)/profits	288	6,907	1,245	-	282	(1,564)	7,158
Net income from bank lending operations	-	-	-	4,465	-	(202)	4,263
Net income/(expenses) from securities operation	-	-	-	2,239	(2,176)	25,767	25,830
Net expenses from insurance operations	-	-	-	-	6,217	(24,454)	(18,237)
(Loss)/gain on disposal of property, plant and equipment	(25,971)	-	153	(284)	-	-	(26,102)
Net other operating (expenses)/income	(1,384)	646	(380)	1,687	573	(168)	974
Profit from operations	1,758,688	131,202	26,173	5,490	(398)	17,379	1,938,534
Impairment of property, plant and equipment	(15,764)	-	(302)	-	-	-	(16,066)
Negative goodwill	-	57,143	3,934	-	-	197	61,274
Net other non-operating income/(expenses)	32,980	-	(2,667)	(79)	(32,862)	(817)	(3,445)
Profit before financing and taxation	1,775,904	188,345	27,138	5,411	(33,260)	16,759	1,980,297
Net financing (expense)/income	(52,216)	(8,441)	(5,488)	-	5,961	(29,972)	(90,156)
Profit before income tax	1,723,688	179,904	21,650	5,411	(27,299)	(13,213)	1,890,141
Income tax expense	(428,101)	(43,966)	(9,728)	(1,380)	(1,496)	3,047	(481,624)
Profit for the year	1,295,587	135,938	11,922	4,031	(28,795)	(10,166)	1,408,517
Attributable to:							
shareholders of OAO Severstal	1,290,442	135,938	11,334	4,042	(28,796)	(11,781)	1,401,179
minority interest	5,145	-	588	(11)	1	1,615	7,338
Additional information:							
depreciation expense	225,024	6,093	16,401	841	1,410	-	249,769

(Tabular amounts expressed in thousands of US dollars)

Segmental income statements for the year ended December 31, 2003:

	Steel segment	Metalware segment	Financing segment	Insurance segment	Inter segment balances	Consolidated
Sales						
Sales - external	2,662,752	252,758	-	-	-	2,915,510
Sales - to related parties	423,733	23,096	-	-	(165,054)	281,775
	3,086,485	275,854	-	-	(165,054)	3,197,285
Cost of sales	(1,836,138)	(232,304)	-	-	160,528	(1,907,914)
Gross profit	1,250,347	43,550	-	-	(4,526)	1,289,371
Selling, general and administration expenses	(161,829)	(15,970)	(819)	(3,657)	24,399	(157,876)
Distribution expenses	(304,484)	(11,157)	-	-	687	(314,954)
Indirect taxes and contributions	(14,381)	(2,119)	(1,115)	(56)	-	(17,671)
Share of associates' (losses)/profits	70	359	-	415	(1,124)	(280)
Net income from bank lending operations	-	-	1,948	-	8	1,956
Net income/(expenses) from securities operation	(10,353)	-	1,853	225	690	(7,585)
Net expenses from insurance operations	-	-	-	8,968	(23,265)	(14,297)
(Loss)/gain on disposal of property, plant and equipment	(20,221)	(327)	203	-	-	(20,345)
Net other operating income	702	334	1,857	846	-	3,739
Profit from operations	739,851	14,670	3,927	6,741	(3,131)	762,058
Impairment of property, plant and equipment	(4,399)	(1,014)	-	-	-	(5,413)
Impairment of goodwill	(10,548)	-	-	-	-	(10,548)
Negative goodwill	-	5,544	-	-	(445)	5,099
Net other non-operating expenses	(19,858)	(988)	-	-	-	(20,846)
Profit before financing and taxation	705,046	18,212	3,927	6,741	(3,576)	730,350
Net financing (expense)/income	28,794	(1,271)	(57)	8,540	(8)	35,998
Profit before income tax	733,840	16,941	3,870	15,281	(3,584)	766,348
Income tax expense	(155,614)	(2,426)	(331)	(3,487)	(404)	(162,262)
Profit for the year	578,226	14,515	3,539	11,794	(3,988)	604,086
Attributable to:						
shareholders of OAO Severstal	574,227	12,932	3,407	11,794	(5,845)	596,515
minority interest	3,999	1,583	132	-	1,857	7,571
Additional information:						
depreciation expense	213,649	12,029	83	735	-	226,496

30. Commitments and contingencies

a. For litigation, tax and other liabilities

At the balance sheet date, the Group was subject to various claims from customers and suppliers totaling US$ 5.0 million (2004: US$ nil; 2003: US$ 4.0 million) and the tax authorities totaling US$ nil (2004: US$ 15.0 million; 2003: US$ nil). Based on experience in resolving such matters, management believes that it has adequately provided for any liabilities in the accompanying financial statements.

The taxation system and regulatory environment of the Russian Federation are relatively new and characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions, who are empowered to impose significant fines, penalties and interest charges. Events during 2004 and 2005 suggest that the regulatory authorities within the Russian Federation are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks, however, management has adopted a conservative approach to interpreting legislation and believes that it has complied with all relevant legislation and adequately provides for tax and other regulatory liabilities.

b. Long term purchase and sales contracts

In the normal course of business group companies enter 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 Group had contractual capital commitments of US$ 284.9 million (2004: US$ 212.6 million; 2003: US$ 208.1 million).

d. Insurance

The Group has insured its property and equipment to compensate for expenses arising from accidents. In addition, the Group has insurance for business interruption on a basis of reimbursement of fixed costs, subject to certain franchise. The Group has also insured third party liability in respect of property or environmental damage.

e. Guarantees

At the balance sheet date the Group had given US$ 83.8 million (2004: US$ 65.3 million; 2003: US$ 55.8 million) of guarantees, majority of which were given for bank borrowings by related parties. These guarantees mature in accordance with the debts they guarantee over periods up to 2013.

(Tabular amounts expressed in thousands of US dollars)

31. Financial instruments

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Group's business. The steel, metalware, mining and insurance segments of the Group do not use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. As at December 31, 2005, 2004 and 2003 the financing segment had no outstanding foreign exchange contracts.

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for the following long-term fixed rate borrowings:

	December 31, 2005		
	Market value	Book value	Difference
Citibank - Eurobonds 2009	336,830	325,000	11,830
Citibank - Eurobonds 2014	407,438	375,000	32,438
	744,268	700,000	44,268

	December 31, 2004		
	Market value	Book value	Difference
Citibank - Eurobonds 2009	334,750	325,000	9,750
Citibank - Eurobonds 2014	404,063	375,000	29,062
	738,813	700,000	38,812

The above amounts exclude accrued interest.

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet and guarantees (see note 30e). The Group has developed policies and procedures for the management of credit exposures, including the establishment of credit committees that actively monitors credit risk. At the balance sheet date there was a significant concentration of credit risk in respect of trade accounts receivable from related parties and originated loans to related parties.

Liquidity risk

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

Foreign exchange rate risk

The Group incurs currency risk when an entity enters into transactions and balances not denominated its functional currency. The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

Interest rate risk

Interest rates on Group’s debt finance are either fixed or variable, at a fixed spread over LIBOR or Euribor for the duration of each contract. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group’s exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

(Tabular amounts expressed in thousands of US dollars)

The following table indicates weighted average effective interest rates of income-earning financial assets and interest-bearing financial liabilities at the balance sheet date:

	Rouble	US dollar	Euro
As at December 31, 2005:			
Interest bearing assets			
Short term bank deposits	5.92%	5.18%	-
Placements at financial institutions	6.17%	2.40%	2.25%
Loans to bank customers	8.79%	11.20%	-
Held-for-trading securities	6.25%	-	-
Originated loans	9.86%	7.91%	3.42%
Interest bearing liabilities			
Bank customer accounts	4.26%	1.85%	1.28%
Bank loan finance	9.89%	7.98%	3.46%
Bonds issued in Russia	8.10%	-	-

	Rouble	US dollar	Euro
As at December 31, 2004:			
Interest bearing assets			
Short term bank deposits	6.75%	3.40%	4.50%
Placements at financial institutions	0.18%	2.21%	1.63%
Loans to bank customers	9.20%	11.76%	12.65%
Held-for-trading securities	8.17%	-	-
Originated loans	8.17%	-	-
Interest bearing liabilities			
Bank customer accounts	2.91%	0.63%	0.51%
Promissory notes issued	8.17%	-	-
Bank loan finance	9.88%	7.91%	5.70%
Bonds issued in Russia	9.75%	-	-

	Rouble	US dollar	Euro
As at December 31, 2003:			
Interest bearing assets			
Short term bank deposits	7.69%	3.21%	1.87%
Placements at financial institutions	1.58%	0.99%	2.20%
Loans to bank customers	10.52%	10.29%	14.25%
Held-for-trading securities	9.72%	-	-
Held-to-maturity securities	9.00%	-	-
Originated loans	9.00%	-	-
Interest bearing liabilities			
Bank customer accounts	5.62%	0.46%	1.86%
Promissory notes issued	9.10%	-	-
Bank loan finance	10.71%	4.28%	3.95%
Bonds issued in Russia	9.75%	-	-