SEVERSTAL

Parent company financial statements
for the year ended December 31, 2000

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Contents

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Auditor's Report

The Board of Directors and Shareholders
OAO Severstal
Cherepovets, Russia

We have audited the accompanying parent company balance sheet of OAO Severstal (the "Company") as of 31 December 2000 and the related statements of income and cash flows for the year then ended. The parent company financial statements, as set out on pages 2 to 29, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except for the omission of consolidated financial statements as described in the preceding paragraph, the parent company financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2000 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards as issued by the International Accounting Standards Committee.

KPMG Limited.

KPMG Limited
Moscow, Russian Federation
28 September 2001

Severstal

Parent company balance sheet
December 31, 2000
(Amounts expressed in thousands of US dollars)

	Note	December 31 2000	1999	1998
Assets				
Current assets:				
Cash and cash equivalents	11	309,275	131,507	19,499
Short term investments	12	133,223	10,980	-
Trade accounts receivable	13	28,980	29,958	41,570
Amounts receivable from related parties	14	117,130	29,852	49,738
VAT recoverable		25,940	20,540	39,395
Inventories	15	178,127	122,908	161,919
Current taxes recoverable		-	-	2,854
Other current assets	16	49,467	55,789	16,695
Total current assets		842,142	401,534	331,670
Noncurrent assets:				
Property, plant & equipment	17	1,045,541	1,112,944	1,251,379
Investments	18	81,932	58,271	74,314
Total noncurrent assets		1,127,473	1,171,215	1,325,693
Total assets		1,969,615	1,572,749	1,657,363

These financial statements were authorized, by the Board of Directors, for issue on October 22, 2001.

The accompanying accounting policies and notes on pages 7 to 29
form an integral part of these financial statements.

Severstal

Parent company balance sheet
December 31, 2000
(Amounts expressed in thousands of US dollars)

	Note	December 31 2000	1999	1998
Liabilities and shareholders' equity				
Current liabilities:				
Trade accounts payable		44,114	60,425	75,623
Amounts payable to related parties	19	17,353	26,378	26,627
Income taxes payable		6,734	9,989	-
Other taxes and social security payable		15,796	13,612	52,642
Deferred income		7,373	8,243	9,579
Short term loans	21	27,689	37,083	132,988
Other current liabilities	20	48,867	68,160	103,537
Total current liabilities		167,926	223,890	400,996
Noncurrent liabilities:				
Long term loans	21	34,335	310	48
Deferred tax	10	169,737	203,054	278,163
Other noncurrent liabilities	23	25,938	26,496	33,800
Total noncurrent liabilities		230,010	229,860	312,011
Shareholders' equity:				
Share capital	24	3,311,129	3,311,129	3,311,129
Accumulated deficit		(1,739,450)	(2,192,130)	(2,366,773)
Total shareholders' equity		1,571,679	1,118,999	944,356
Total liabilities and shareholders' equity		1,969,615	1,572,749	1,657,363

These financial statements were authorized, by the Board of Directors, for issue on October 22, 2001.

The accompanying accounting policies and notes on pages 7 to 29
form an integral part of these financial statements.

Severstal

Parent company statement of operations
Year ended December 31, 2000
(Amounts expressed in thousands of US dollars, except shares and earnings per share)

	Note	Year ended December 31 2000	1999	1998
Sales				
Sales - external		1,360,084	1,302,598	1,612,548
Sales - to related parties	14	713,086	166,393	338,321
	4	2,073,170	1,468,991	1,950,869
Cost of sales		(1,170,223)	(953,068)	(1,529,482)
Gross profit		902,947	515,923	421,387
Indirect taxes & contributions		(38,825)	(30,648)	(57,488)
Selling, general & administration expense		(47,729)	(47,776)	(44,833)
Distribution costs		(105,789)	(87,283)	(109,179)
Other operating income	5	2,042	15,500	58,604
Other operating expenses	6	(21,676)	(62,974)	(85,599)
Profit from operations		690,970	302,742	182,892
Nonoperating expenses	8	(34,206)	(12,976)	(24,505)
Profit before financing and taxation		656,764	289,766	158,387
Net financing expense	9	(8,064)	(45,385)	(50,398)
Profit before income taxes		648,700	244,381	107,989
Income tax expense	10	(196,020)	(69,738)	(349,715)
Profit/(loss) for the year		452,680	174,643	(241,726)
Weighted average number of shares outstanding during the year		22,074,192	22,074,192	22,074,192
Basic and diluted profit/(loss) per share		20.51	7.91	(10.95)

There were no items to record in the statement of total recognized gains and losses during the year other than the profit/loss for the year as shown above.

The accompanying accounting policies and notes on pages 7 to 29 form an integral part of these financial statements.

Severstal

Parent company statement of cash flows
Year ended December 31, 2000
(Amounts expressed in thousands of US dollars)

	Year ended December 31		
	2000	**1999**	**1998**
Operating activities:			
Profit before financing and taxation	656,764	289,766	158,387
Adjustments to reconcile profit to cash provided by operating activities:			
Depreciation (total assets)	125,960	122,689	146,194
Foreign exchange loss/(gain)	2,909	(6,906)	(105,069)
Write down of property, plant & equipment	33,835	30,118	35,754
Loss on disposal of property, plant & equipment	3,343	14,807	6,004
Provision for doubtful accounts receivable	(6,357)	(3,965)	(72,704)
Changes in operating assets and liabilities:			
Short term investments	(126,166)	(10,980)	-
Trade accounts receivable	7,335	15,577	64,467
Amounts receivable from related parties	(87,278)	19,886	7,534
Inventories	(54,945)	43,539	254,034
VAT recoverable	(6,660)	9,149	733
Other taxes and social security	5,533	(45,290)	(20,269)
Other current assets	1,946	(33,547)	46,333
Trade accounts payable	(16,311)	(15,198)	(87,860)
Amounts payable to related parties	(9,025)	(249)	(130,490)
Deferred income	(25)	2,481	(2,103)
Other current liabilities	(18,984)	(26,652)	(34,111)
Other noncurrent liabilities	533	1,470	343
Cash generated from operating activities	512,407	406,695	267,177
Interest received	16,484	1,989	6
Interest paid	(9,656)	(22,160)	(38,717)
Income tax paid	(232,277)	(130,416)	(90,998)
Net cash provided from (used in) operating activities	286,958	256,108	137,468
Investing activities:			
Additions to property, plant & equipment	(96,952)	(47,762)	(62,189)
Additions to investments	(39,760)	(8,527)	(5,840)
Proceeds from disposal of investments	-	-	465
Proceeds from disposal of property, plant & equipment	943	11,950	4,813
Cash used for investing activities	(135,769)	(44,339)	(62,751)
Financing activities:			
Repayment of short term borrowings	(6,918)	(89,659)	(80,122)
Proceeds from long term borrowings	34,025	262	-
Dividends received	-	-	7
Cash provided from (used by) financing activities	27,107	(89,397)	(80,115)
Effect of exchange rates on cash	(528)	(10,364)	(2,748)
Net (decrease)/increase in cash and cash equivalents	177,768	112,008	(8,146)
Cash and cash equivalents at beginning of year	131,507	19,499	27,645
Cash and cash equivalents at end of year	309,275	131,507	19,499

The accompanying accounting policies and notes on pages 7 to 29 form an integral part of these financial statements.

Severstal

Parent company statement of changes in shareholders' equity
Year ended December 31, 2000
(Amounts expressed in thousands of US dollars)

	Share capital	Accumulated deficit	Total
Balance at December 31, 1997	3,311,129	(2,125,047)	1,186,082
Loss for the year	-	(241,726)	(241,726)
Balance at December 31, 1998	3,311,129	(2,366,773)	944,356
Profit for the year	-	174,643	174,643
Balance at December 31, 1999	3,311,129	(2,192,130)	1,118,999
Profit for the year	-	452,680	452,680
Balance at December 31, 2000	3,311,129	(1,739,450)	1,571,679

The accompanying accounting policies and notes on pages 7 to 29
form an integral part of these financial statements.

Severstal

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

1. Operations

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

ZAO Severstal-Garant	43.7%
ZAO Severstal-Invest	18.2%
AA Mordashov (General Director)	16.6%

The Company's principal activity is the production and sale of steel products. The Company also has various social responsibilities such as the operation and maintenance of sports complexes, retirement homes, holiday and recreational facilities, public housing and kindergartens. Other activities include restaurants, canteens and shops (see note 30 for segmental information).

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

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

2. Presentation of the financial statements

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

Certain 'other accounts receivable' and 'other accounts payable' were reclassified in 2000 to improve the presentation of the Company's results, the corresponding comparatives were also reclassified. The reclassifications being as follows:

	2000	**1999**	**1998**
Trade accounts receivable	4,991	2,244	17,577
Amounts payable to related parties	-	2,661	-
Advances paid to suppliers	10,543	198	124
Other accounts receivable	(15,534)	(5,103)	(17,701)

(Amounts expressed in thousands of US dollars)

	2000	1999	1998
Trade accounts payable	7,943	12,977	11,489
Advances received from customers	-	19	-
Other taxes and social security payable	11,645	6,786	7,563
Amounts payable to employees	246	294	505
Other accounts payable	(19,834)	(20,076)	(19,557)

Additionally, to improve presentation, export duties, distribution costs and certain items previously treated as social expenditure were reclassified in 2000, the corresponding comparatives were also reclassified. The reclassifications being as follows:

	2000	1999	1998
Net sales	(34,930)	(10,513)	47,397
Cost of sales	73,899	53,162	1,269
Selling, general & administration expense	57,631	36,005	33,075
Distribution costs	(105,789)	(87,283)	(109,179)
Social expenditure	9,189	8,629	27,438

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

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

The US dollar is used as the reporting currency in these financial statements because it is used to a significant extent in the Company's operations and has a significant impact on the Company. The conversion into US dollars should not be construed as a representation that the Russian rouble amounts could be converted into US dollars at the exchange rates used for the conversion or at any other rate. The Central Bank of Russia's exchange rates, used in the conversion, at the end of each year were as follows:

Date	Exchange rate to the US dollar Roubles
December 31, 1997	5.96
December 31, 1998	20.65
December 31, 1999	27.00
December 31, 2000	28.16

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

3. Summary of the principal accounting policies

a. Cash and cash equivalents

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

b. Short term investments

Short term investments have original maturity dates of more than three months and less than one year. They are stated at fair value, with any resultant gain or loss recognized in the income statement. The fair value is either (i) the quoted price, excluding disposal costs, at the balance sheet date; or, (ii) in the absence of quoted prices, the estimated future cash flows discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

c. Inventories

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

d. Provisions for doubtful accounts

Provisions are made against trade accounts receivable whose recoverability is considered improbable.

e. Foreign currency transactions

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

f. Noncurrent investments

Noncurrent investments, which comprise items held for purposes other than trading, are stated at cost less any amounts written off to recognize other than temporary declines in the value of the investments

g. Property, plant & equipment

Property, plant & equipment is stated at appraised replacement value, as determined in 1993, and additions in subsequent years at historical cost less accumulated depreciation and provisions for impairment losses. In the case of assets constructed by the Company, related works and direct project overheads are included in cost. Repair and maintenance expenses are charged to the statement of operations as incurred. Gains or losses on disposals of property, plant & equipment are recognized in the statement of operations.

Depreciation is provided so as to write off property, plant & equipment over its expected useful life. Depreciation is calculated using the reducing balance method for steel making assets (coking and sintering plants, blast furnaces, smelters and converters) while the straight line basis is used for all other assets. The estimated useful lives of assets are reviewed regularly and revised when necessary. 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

h. Asset impairment

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

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

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

i. Leased assets

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

j. Indirect taxes & contributions

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

k. Income taxes

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

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

Deferred tax is not recognized in respect of investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

l. Loans

Loans include accrued interest at the balance sheet date. Borrowing costs on loans specifically for the purchase or construction of property, plant & equipment are capitalized as part of the cost of the asset they are financing. All other borrowing costs are recognized as an expense in the period in which they are incurred.

m. Revenue recognition

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

n. Retirement benefits

The Company voluntarily pays a charitable retirement benefit to former employees of up to Rbs 300 (US$ 10.65 as at December 31, 2000) (1999: Rbs 250; 1998: Rbs 180) per month, dependent on the employee's length of service. This liability is not separately funded. With effect from January 1, 1999 the company adopted the provisions of IAS 19 (revised) 'Employee benefits'. This resulted in restating the retirement benefit provision as at January 1, 1999 by US$ 3.5 million (less deferred tax of US$ 1.0 million). These adjustments have been recorded in the statement of operations.

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

o. Net financing expense

Net financing expense represents interest received/paid, gains/losses arising from disposals and impairment of noncurrent investments; foreign exchange gains/losses on short term investments and loans as a result of restating Russian rouble balances in US dollars; and the effect of discounting non-interest bearing short term investments.

p. Earnings/(losses) per share

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

q. Related parties

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

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

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

r. Provisions

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

s. Deferred income

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

(Amounts expressed in thousands of US dollars)

4. Sales

Sales by product were as follows:

	2000	1999	1998
Sales outside the Commonwealth of Independent States:			
Rolled steel	902,621	767,701	1,010,243
Semi finished products	76,721	42,625	24,888
Chemical by-products	5,186	4,903	2,839
Other	796	4	11
Shipping and handling costs billed to customers	39,927	46,282	56,162
	1,025,251	861,515	1,094,143
Sales within the Commonwealth of Independent States:			
Rolled steel	905,629	508,473	677,561
Chemical by-products	25,706	12,382	21,930
Kitchenware	9,392	6,648	9,834
Non-core activities	6,874	8,121	18,262
Steel furniture	6,145	3,687	5,545
Cast iron	5,770	4,665	7,565
Semi-finished products	3,898	3,269	7,060
Other	61,778	43,493	66,528
Shipping and handling costs billed to customers	22,727	16,700	42,441
	2,073,170	1,468,991	1,950,869

Export sales by final destination were as follows:

	2000	1999	1998
Europe	247,442	165,259	172,929
South-East Asia	195,838	174,064	51,972
The Middle East	150,510	119,473	161,701
Africa	121,968	107,140	74,748
United States of America	117,972	98,396	409,575
Central America	91,796	85,006	80,542
South America	69,084	50,641	90,129
Central Asia	22,299	25,666	16,430
North America (excluding the USA)	8,342	35,870	36,117
	1,025,251	861,515	1,094,143

5. Other operating income

	2000	1999	1998
Cancellation of social security and tax fines	-	10,461	14,243
Amortization of deferred income	1,197	1,222	23,349
Foreign exchange gain on deferred income	845	3,817	21,012
	2,042	15,500	58,604

Since the deferred income accounts are rouble denominated any unutilized amounts lose value in US dollar terms and give rise to the foreign exchange gain shown above.

(Amounts expressed in thousands of US dollars)

6. Other operating expenses

	2000	1999	1998
Write down of projects under construction	(15,695)	(30,118)	(35,754)
Loss on disposal of property, plant & equipment	(3,343)	(14,807)	(6,004)
Charitable donations	(816)	(2,945)	(4,399)
Expenses on social and research projects	(1,172)	(1,179)	(19,075)
Foreign exchange loss on rouble cash balances	(528)	(10,364)	(2,748)
Political donations	(122)	(21)	(36)
Tax penalties	-	-	(13,864)
Other	-	(3,540)	(3,719)
	(21,676)	(62,974)	(85,599)

The foreign exchange loss is the effect of changes in exchange rates on non-interest bearing cash balances denominated in roubles but stated in US dollars for reporting purposes. Since the non-interest bearing cash balances are not generating interest income there is no corresponding operating statement item against which this loss should be offset.

7. Staff costs

Employment costs during the year were as follows:

	2000	1999	1998
Wages and salaries	99,624	66,429	135,098
Social benefits paid	5,708	5,596	7,788
Social security costs	44,726	24,980	58,858
Retirement benefit costs - defined benefit plans (note 23)	2,107	2,546	8,948
Gross staff costs	152,165	99,551	210,692
Actuarial losses/(gains) recognized (note 23)	482	(2,681)	(3,505)
Foreign exchange gains on unpaid liabilities:			
Wages, salaries and social benefits	(181)	(1,735)	(18,572)
Social security costs	(186)	(2,086)	(28,202)
Retirement benefit provision (note 23)	(1,091)	(8,774)	(82,465)
Net staff costs	151,189	84,275	77,948

Included within the total social security costs paid to the government are payments to the state pension fund of US$ 27.9 million (1999: US$ 18.6 million; 1998: US$ 37.8 million), which are levied at 28% of gross payroll costs.

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

(Amounts expressed in thousands of US dollars)

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

	2000	1999	1998
Iron and steel division	39,650	38,893	40,022
Farming activities	-	-	690
Other activities	1,422	1,505	1,614
Social activities	4,278	4,400	4,692
Total active employees	45,350	44,798	47,018
Retired employees receiving benefits	20,097	18,346	18,962
	65,447	63,144	65,980

8. Nonoperating expenses

	2000	1999	1998
Social expenditure	(13,077)	(9,988)	(20,776)
Depreciation of community and infrastructure assets	(2,989)	(2,988)	(3,729)
Impairment of social assets	(18,140)	-	-
	(34,206)	(12,976)	(24,505)

9. Net financing expense

	2000	1999	1998
Financial income:			
Interest income - OAO Metkombank	2,558	497	6
Interest income - other banks	17,849	1,492	-
Foreign exchange loss on short term investments	(3,923)	-	-
Financial expenses:			
Interest expense - OAO Metkombank	(472)	(1,781)	(3,785)
Interest expense - other banks	(5,241)	(20,855)	(67,438)
Foreign exchange gain on rouble loans	1,269	4,785	34,437
OOO Severstal-Holding - lease commissions	(36)	(19)	-
Effects of discounting monetary items to fair value	(3,970)	(2,829)	
Dividends received from noncurrent investments	-	-	7
Profit on disposal of noncurrent investments	-	-	165
Write down of noncurrent investments	(16,098)	(26,675)	(13,790)
	(8,064)	(45,385)	(50,398)

The foreign exchange losses/gains are the effects of changes in exchange rates on deposits/loans denominated in roubles but stated in US dollars for reporting purposes. Therefore, these losses/gains offset the interest income/expense receivable/payable on the related deposits/loans because the rouble based interest rates include amounts to compensate for devaluation of the rouble against the US dollar.

(Amounts expressed in thousands of US dollars)

10. Taxation

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

	2000	1999	1998
Current tax charge	(229,799)	(147,517)	(64,555)
Corrections to prior year's current tax charge	147	1,082	(2,082)
Deferred tax (charge)/credit	38,793	35,369	(449,337)
Effect of change in tax rate on deferred tax	(5,476)	39,740	-
Reversal of valuation allowance	-	-	171,174
Foreign exchange gain/(loss) on unpaid liabilities	315	1,588	(4,915)
Net income tax expense	(196,020)	(69,738)	(349,715)

The foreign exchange gain is the effect of changes in exchange rates on unpaid tax liabilities during the period between calculation and payment. Tax liabilities are denominated in roubles and reported in US dollars, therefore, any change in the exchange rate during the credit period increases or decreases the tax liability in US dollars and consequently changes the net US dollar income tax expense.

The following is a reconciliation of the reported net income tax expense and the amount calculated by applying the statutory tax rate of 30% (First quarter 1999, and full year 1998: 35%) to reported profits before taxes.

	2000	1999	1998
Profits before taxes	648,700	244,381	107,989
Tax charge at the statutory rate	(194,610)	(73,314)	(37,796)
Non-deductible expenses	(17,710)	(16,562)	(56,856)
Tax incentives not recognized in statement of operations	30,011	19,068	76,357
First quarter of 1999 at higher tax rates	-	(3,379)	-
Effect of change in tax rate on deferred tax	(5,476)	39,740	-
Effect of exchange rate differences on temporary differences	(8,697)	(37,961)	(495,597)
Change in valuation allowance	-	-	171,174
Corrections to prior year's current tax charge	147	1,082	(2,082)
Foreign exchange gain/(loss) on unpaid liabilities	315	1,588	(4,915)
Net income tax expense	(196,020)	(69,738)	(349,715)

The composition of net deferred tax liability, calculated at 31% (1999 and 1998: 35%), based on the temporary differences arising between the Company's fiscal and reporting balance sheets, is given below. The major sources of temporary differences in determining the reported balance sheets are: translation of nonmonetary assets using historical exchange rates; asset impairment write downs, higher depreciation charges; providing against obsolete inventories; and, writing off various expenditures as incurred instead of amortizing them over future periods. All movements in deferred tax are recognized in the statement of operations.

	2000	1999	1998
Deferred tax (liabilities)/assets:			
Property, plant & equipment	(191,757)	(240,564)	(299,610)
Provisions	9,735	14,665	5,736
Others	12,285	22,845	15,711
	(169,737)	(203,054)	(278,163)

(Amounts expressed in thousands of US dollars)

11. Cash and cash equivalents

	2000	1999	1998
Petty cash	19	37	57
Cash at bank:			
OAO Metallurgical Commercial bank	31,164	8,034	492
Other international banks	3,329	7,611	7,476
Other Russian banks	3,601	12,362	880
Escrow accounts	10,190	6,561	625
Short term deposits:			
OAO Metallurgical Commercial bank	76,766	41,261	520
Other international banks	66,000	28,895	-
Other Russian banks	99,110	12,296	-
Loans:			
OOO Okatysh Service	9,294	-	-
Promissory notes:			
ZAO MVC Severstal	8,360	9,253	7,860
OAO Metallurgical Commercial bank	848	2,202	-
OOO Severstal-Strips	-	-	969
OOO BTS	-	-	620
Other	594	2,995	-
	309,275	131,507	19,499

12. Short term investments

	2000	1999	1998
Short term deposits:			
OAO Metallurgical Commercial bank	14,446	-	-
Other Russian banks	13,527	-	-
Loans:			
OAO MVC Severstal	5,259	-	-
ZAO Severstal-Invest	77,715	-	-
OAO Izhorsky Pipe Mill	243	-	-
Other related parties	8	-	-
Others	11,220	-	-
Promissory notes:			
ZAO MVC Severstal	7,580	5,193	-
Others	2,832	5,787	-
	132,830	10,980	-

As at the year end, of the short term deposits, US$ 6.5 million were used as collateral to guarantee borrowings by other related parties. As at December 31, 1999 and 1998 no such collateral was given.

13. Trade accounts receivable

	2000	1999	1998
Export receivables:			
Customers	19,454	23,937	36,805
Allowance for doubtful accounts	(818)	(755)	(6,335)
Domestic receivables:			
Customers	15,885	18,737	21,446
Allowance for doubtful debts	(5,541)	(11,961)	(10,346)
	28,980	29,958	41,570

(Amounts expressed in thousands of US dollars)

14. Amounts receivable from related parties

	2000	1999	1998
Controlled:			
Trade accounts receivable from:			
Nova Steel AG	60,172	-	-
OAO Cherepovets Steel Rolling Mill	5,418	4,668	3,127
OAO Karelsky Okatysh	2,893	3,156	1,029
OAO Olkon	2,548	3,869	446
Others	378	284	647
Other receivables from:			
OAO Stalmag	-	16	2,023
OOO Severstal-Holding (see note 22)	2,098	2,661	-
OOO Oktyabrskoe	1,920	971	-
Others	1,434	685	602
Other:			
Advances paid to:			
ZAO SeverstalTrans	1,548	-	2,887
AO SeverstalLat	-	-	1,459
OAO Metall	-	-	295
Trade accounts receivable from:			
ZAO Severstal-Invest	28,226	573	2,340
ZAO TD Severstal-Invest	9,649	1,160	1,532
AO SeverstalLat	844	3,534	5,593
ZAO SeverstalTrans	2	674	1,958
OOO BTS	-	3,782	16,124
OOO Severstal-Strips	-	-	9,676
Other receivables from:			
ZAO Severstal-Invest	-	3,819	-
	117,130	29,852	49,738

Nova Steel AG became a related party on February 2, 2000 through acquisition by Severstal Trade Gmbh. The above balances arise mainly from sales made at a discount to prevailing market prices. Sales to related parties were as follows:

	2000	1999	1998
Controlled:			
Nova Steel AG	473,912	-	-
OAO Cherepovets Steel Rolling Mill	81,451	44,858	53,998
OAO Karelsky Okatysh	24,127	11,397	23,635
OAO Olkon	4,433	3,531	12,139
Others	3,463	10,654	7,550
Other:			
ZAO Severstal-Invest	89,464	13,826	37,041
ZAO TD Severstal-Invest	17,384	8,563	17,709
AO SeverstalLat	12,290	26,286	5,452
ZAO SeverstalTrans	6,562	15,265	5,327
OOO BTS	-	31,680	135,026
OOO Severstal-Strips	-	333	40,444
	713,086	166,393	338,321

(Amounts expressed in thousands of US dollars)

15. Inventories

	2000	1999	1998
Raw materials	100,599	62,298	68,514
Work-in-progress	36,070	20,711	26,712
Finished goods	41,458	39,899	66,693
	178,127	122,908	161,919

16. Other current assets

	2000	1999	1998
Advances paid to suppliers	39,082	43,763	15,331
Other taxes and social security prepaid	5,446	8,916	-
Other	4,695	1,762	726
Prepayments	244	1,348	638
	49,467	55,789	16,695

(Amounts expressed in thousands of US dollars)

17. Property, plant and equipment

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

	Buildings & constructions	Plant & machinery	Other productive assets	Total productive assets	Community & infrastructure assets	Construction -in-progress	Total assets
Replacement or historic cost:							
December 31, 1999	2,971,737	2,440,690	555,575	5,968,002	79,181	67,401	6,114,584
Reclassifications	2,012	(1,564)	(137)	311	(311)	-	-
Additions: - external	9,446	6,927	1,654	18,027	-	78,925	96,952
Disposals - external	(274)	(20,210)	(6,725)	(27,209)	(2,570)	(705)	(30,484)
Transfer to materials	-	-	-	-	-	(274)	(274)
Asset write downs	-	-	-	-	(18,140)	(15,695)	(33,835)
Transfers	6,948	58,240	9,909	75,097	3,752	(78,849)	-
December 31, 2000	2,989,869	2,484,083	560,276	6,034,228	61,912	50,803	6,146,943
Accumulated depreciation:							
December 31, 1999	2,288,612	2,226,244	452,975	4,967,831	33,809		5,001,640
Reclassifications	1,109	(1,005)	(103)	1	(1)		-
Depreciation expense	56,804	50,291	15,876	122,971	2,989		125,960
Disposals - external	(98)	(19,907)	(5,613)	(25,618)	(580)		(26,198)
December 31, 2000	2,346,427	2,255,623	463,135	5,065,185	36,217		5,101,402
Net book values:							
December 31, 1999	683,125	214,446	102,600	1,000,171	45,372	67,401	1,112,944
December 31, 2000	643,442	228,460	97,141	969,043	25,695	50,803	1,045,541

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

December 31, 1999							
Cost	1,290	14,117	-	15,407	5	-	15,412
Accumulated depreciation	(112)	(3,213)	-	(3,325)	(1)	-	(3,326)
Net book value	1,178	10,904	-	12,082	4	-	12,086
December 31, 2000							
Cost	1,290	13,950	-	15,240	5	-	15,245
Accumulated depreciation	(177)	(5,703)	-	(5,880)	(2)	-	(5,882)
Net book value	1,113	8,247	-	9,360	3	-	9,363

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

(Amounts expressed in thousands of US dollars)

18. Investments

The company's principal investments are as follows:

Name	Principal activity	Share type	Percentage holding	2000 Net	1999 Net	1998 Net
Subsidiaries						
OOO Severstal-Holding	Investments	Ordinary	89.94%	28,939	32,626	38,687
OAO Hotel Sheksna	Recreation	Ordinary	100.00%	3,512	11,368	11,510
OAO Metkombank	Banking	Ordinary	42.65%	9,522	10,762	10,762
OAO Insurance Company Sheksna	Insurance	Ordinary	85.14%	2,276	-	-
ZAO Ijorsky Tube Factory	Engineering	Ordinary	99.41%	3,754	-	-
Severstal Trade Gmbh	Distribution	Ordinary	100.00%	1,943	1,943	-
ZAO Zemledelets-Severstal	Farming	Ordinary	29.16%	889	889	889
OAO Vologdapromresurs	Geological surveys	Ordinary	25.80%	-	474	474
OOO Promjilstroy	Construction	Ordinary	100.00%	-	-	5,593
OAO SPU Factory	Software	Ordinary	36.50%	-	-	1,037
OOO Oktyabrskoe	Farming	Ordinary	100.00%	-	-	169
OOO Metakom	Communications	Ordinary	-	-	-	129
Others						
OOO Ramenskoe	Farming	Ordinary	-	-	-	219
AKB Metal-Invest-Bank	Banking	Ordinary	-	-	-	133
Others individually less than US$ 50,000 each				207	137	102
Joint Ventures						
OAO Olkon	Mining			-	-	3,395
Long term loans						
OAO Combined Machine Construction Factories	Engineering			7,970	-	-
OAO PromStroiBank	Banking			7,813	-	-
OAO Karelsky Oktaysh	Mining			7,800	-	-
OAO Olkon	Mining			3,726	-	-
OOO Severstal-Holding	Investments			3,581	-	-
OAO NIIEIR	Research institute			-	72	337
OAO Ustuzhenskoye	Farming			-	-	599
OAO Stalmag	Mining			-	-	250
Others individually less than US$ 50,000 each				-	-	29
				81,932	58,271	74,314

As at December 31, 2000 and 1999 the Company had no further commitment (1998: US$ 1.2 million) to invest in the joint venture with OAO Olkon.

Those companies shown as subsidiaries, in which the Company directly holds less than 50% of the share capital are controlled through indirect shareholdings within OOO Severstal-Holding.

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

(Amounts expressed in thousands of US dollars)

19. Amounts payable to related parties

	2000	1999	1998
Controlled:			
Advances received from			
Nova Steel AG	690	-	-
Trade accounts payable to:			
OAO Cherepovets Steel Rolling Mill	393	311	150
OAO Domnaremont	336	304	1,299
OAO Metallurgremont	244	80	-
OAO Olkon	150	21	1,718
OAO Karelsky Okatysh	13	4	3,138
Other accounts payable to:			
ZAO MVC Severstal	6,187	9,383	11,699
OOO Severstal-Holding (see note 22)	2,098	2,661	-
OAO Metallurgical Commercial Bank	792	978	1,140
OOO Promjilstroy	87	278	225
Other:			
Advances received from:			
ZAO Severstal-Invest	39	2,601	274
AO SeverstalLat	28	1,019	696
ZAO SeverstalTrans	27	102	27
OOO Severstal-Strips	-	-	297
Other	64	58	49
Trade accounts payable to:			
ZAO Severstal-Invest	3,367	6,059	112
ZAO SeverstalTrans	-	1,274	4,096
Others	186	321	331
Other accounts payable to:			
OAO Sheksna Insurance Company	1,871	448	-
OOO Firma Stoik	781	476	1,376
	17,353	26,378	26,627

These balances arise mainly from purchases made on an arm's length basis that reflect prevailing market prices. Purchases from related parties were as follows:

	2000	1999	1998
Noncapital purchases - Controlled entities:			
OAO Cherepovets Steel Rolling Mill	5,629	4,362	4,163
OAO Domnaremont	2,970	662	538
OAO Metallurgremont	1,331	186	233
OAO NIIEIR	503	309	-
OAO Karelsky Okatysh	152	31	57,274
OAO Olkon	74	137	33,275
Noncapital purchases - Other entities:			
ZAO Severstal-Invest	133,643	57,552	5,533
ZAO SeverstalTrans	60,302	40,015	109,073
OOO Firma Stoik	5,053	616	2,106
AO SeverstalLat	1,330	659	20,035
ZAO Metall	657	22,818	27,793
OOO Severstal Export	5	1,327	2,341
OOO Torgmet	-	36,597	-
OOO Stilbrok MP	-	9,849	9,351
Others	665	1,004	6,581
Capital purchases - Controlled entities:			
OOO Promjilstroy	1,951	1,671	4,519
OAO Metallurgremont	1,423	-	-
OAO Domnaremont	214	452	446
Capital purchases - Other entities:			
ZAO Severstal-Invest	-	1,136	1,046
Others	494	222	1,228
	216,396	179,605	285,535

(Amounts expressed in thousands of US dollars)

Services rendered by related parties were as follows:

	2000	1999	1998
Controlled entities:			
OAO Metkombank - bank services	803	2,370	5,780
Other entities:			
OAO Insurance Company Sheksna	16,300	8,901	4,994
ZAO MVC Severstal - commissions	18	48	219
	17,121	11,319	10,993

20. Other current liabilities

	2000	1999	1998
Advances received from customers	36,300	57,189	61,100
Amounts payable to employees	5,742	4,486	12,531
Other	4,070	3,885	2,653
Accrued expenses	2,755	2,600	27,253
	48,867	68,160	103,537

21. Loans

	2000	1999	1998
OAO Metkombank	-	1,981	1,879
International banks	2,870	2,950	102,315
Other Russian banks	58,580	30,681	25,600
Accrued interest	574	1,781	3,242
	62,024	37,393	133,036

Total debt is denominated in the following currencies:

	2000	1999	1998
Russian roubles	7,102	22,867	14,867
US dollars	54,922	14,526	118,169
	62,024	37,393	133,036

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

	2000	1999	1998
Less than one year	27,689	37,083	132,988
Between one and two years	14,286	310	48
Between two and five years	20,049	-	-
	62,024	37,393	133,036

These loans are secured by charges over US$ 88.1 million net book value of plant & equipment and US$ 22.4 million of working capital.

At the balance sheet date the Company had US$ 40.4 million of unused long term credit lines available to it.

(Amounts expressed in thousands of US dollars)

22. Lease liabilities

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

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

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

23. Other noncurrent liabilities

	2000	1999	1998
Provision for retirement benefits	25,938	26,496	33,800

The assumptions used, in US dollars, to calculate the retirement benefit liabilities were as follows:

	2000	1999	1998
Discount rate at the balance sheet date	6.00%	6.00%	6.00%
Future retirement benefit increases	0.00%	0.00%	0.00%

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

	2000	1999	1998
Components of the unfunded net defined retirement benefit obligation:			
Retirees	23,951	16,000	23,091
Other participants:			
- Vested	3,942	3,900	3,176
- Non vested	9,777	7,100	7,533
	37,670	27,000	33,800

(Amounts expressed in thousands of US dollars)

	2000	1999	1998
Movements in the provision for retirement benefits:			
Liability at beginning of year as previously reported	26,496	33,800	115,922
Transitional liability	-	3,505	-
Net liability at beginning of year restated	26,496	37,305	115,922
Payments made in the year	(2,056)	(1,900)	(5,100)
Expenses recognized in the statement of operations:			
Interest cost	1,620	2,028	5,682
Service cost	487	518	3,266
Actuarial losses/(gains) recognized	482	(2,681)	(3,505)
Foreign exchange gain	(1,091)	(8,774)	(82,465)
Closing balance	25,938	26,496	33,800
Cumulative unrecognized actuarial losses	11,732	504	-

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

24. Shareholders' equity

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

The maximum dividend payable is restricted to the total accumulated retained earnings of the Company determined according to Russian law. As at the balance sheet date, reserves available for distribution were US$ 778.3 million (1999: US$ 252.9 million; 1998: nil).

25. Commitments and contingencies

a. For litigation, tax and other liabilities

At the balance sheet date, the Company was subject to various claims from customers and suppliers totaling US$ 4.2 million (1999: US$ 8.5 million; 1998: US$ 3.2 million) and the tax authorities totaling US$ 4.6 million (1999: US$ 16.9 million; 1998: US$ 18.2 million). Based on experience in resolving such matters, management believes that it has adequately provided for any liabilities in the accompanying financial statements.

b. Long term purchase and sales contracts

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

c. Capital commitments

At the balance sheet date the Company had capital commitments of US$ 14.1 million, through its capital construction department, mainly for manufacturing plant.

(Amounts expressed in thousands of US dollars)

d. Insurance

The Company has insured its property, plant & equipment to compensate for expenses arising from accidents. However, the Company does not have full insurance for business interruption or third party liability in respect of property or environmental damage.

e. Guarantees

At the balance sheet date the Company had given US$ 69.1 million of guarantees for bank borrowings by third parties, of which US$ 55.4 million were in respect of related parties. All these guarantees mature within one year.

26. Financial instruments

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

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

The company incurs currency risk on transactions and balances not denominated in the reporting currency. At the balance sheet date the Company does not have a significant currency risk because over 70% of its net monetary assets are denominated in the reporting currency.

It is management's opinion that the fair values of the Company's financial assets and liabilities as at the balance sheet date approximate their book values.

All interest rates are fixed for the duration of each contract. The net estimated effect of a one percent increase in interest rates as at the balance sheet date would be to increase annual income by US$ 1.2 million.

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

	2000	**1999**	**1998**
Cash and cash equivalents	9.70%	7.00%	-
Short term investments	9.70%	-	-
Noncurrent investments	5.47%	-	-
Loans:			
Rouble borrowings	13.73%	35.64%	38.36%
US dollar borrowings	12.29%	12.87%	15.85%
Lease liabilities	1.51%	1.43%	-

(Amounts expressed in thousands of US dollars)

27. Allocation of foreign exchange gains and losses

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

	2000	1999	1998
Selling general & administration expense	(766)	4,424	39,119
Other taxes and contributions	(121)	2,656	18,164
Other operating income	845	3,817	21,012
Other operating expenses	(528)	(10,364)	(2,748)
Net financing expenses	(2,654)	4,785	34,437
Net income tax expense	315	1,588	(4,915)
	(2,909)	6,906	105,069

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

Cash and cash equivalents	(528)	(10,364)	(2,748)
Short term investments	(3,923)	-	-
VAT recoverable	(1,260)	(9,706)	(95,898)
Other assets	(906)	(3,369)	(1,224)
Deferred income	845	3,817	21,012
Other taxes and social security	(121)	2,656	18,164
Current taxes	315	1,588	(4,915)
Loans	1,269	4,785	34,437
Other current liabilities	309	8,725	53,776
Retirement benefit liabilities	1,091	8,774	82,465
	(2,909)	6,906	105,069

28. Related parties

A list of controlled related parties as at the balance sheet date is as follows:

Company	Location	Activity
Nova Steel AG	Austria	Steel sales
Severstal Trade Gmbh	Austria	Holding company
ZAO NPO VologdaPromResource	Russia	Mineral exploration
OAO Newspaper Courier	Russia	Newspaper
OAO Domnaremont	Russia	Steel producing equipment repairs
OAO Zavod SPU	Russia	Software
ZAO Zemledelets-Severstal	Russia	Agriculture
ZAO Ijorsky Tube Mill	Russia	Steel pipe manufacture
OOO Kados	Russia	Manufacture of metal working tools
OAO Channal-12	Russia	Television
OAO Karelsky Okatysh	Russia	Iron ore mining
OOO Kasper	Russia	Catering
OOO Kostomukshoe Beer	Russia	Brewery
OAO MVC Severstal	Russia	Financing
OOO Meta-Invest	Russia	Financing
OOO Metakom	Russia	Internet service provider
OAO Metkombank	Russia	Banking
OAO Metallurgremont	Russia	Steel producing equipment repairs
OAO Metranpaj	Russia	Printing
OOO MetremStroy	Russia	Steel producing equipment construction
OOO MetStroyService-1	Russia	Steel producing equipment construction
OOO MetStroyService-2	Russia	Steel producing equipment construction
OOO MetStroyService-3	Russia	Steel producing equipment construction
OOO MetStroyService-4	Russia	Steel producing equipment construction

(Amounts expressed in thousands of US dollars)

Company	Location	Activity
OOO MetStroyService-5	Russia	Steel producing equipment construction
OOO MetStroyService-6	Russia	Steel producing equipment construction
OAO NIIEIR	Russia	Research and development
OOO Oktyabrskoe	Russia	Agriculture
OAO Olkon	Russia	Iron ore mining
OAO Pensionat Sheksna	Russia	Hotel
OOO PromJilStroy	Russia	Construction of flats
OAO PromLesProject	Russia	Research and development
OOO PromLeasing	Russia	Financing
OOO Promyshlennaya-Expertise	Russia	Asset valuation
ZAO Radio-102	Russia	Radio station
ZAO SeverstalBel	Byelorussia	Steel sales
OOO Severstal-Holding	Russia	Holding company
NP Service-Center SMI	Russia	Radio and TV transmission equipment
OOO Sochi Travel Agency	Russia	Travel agent
OAO Stalmag	Russia	Semi precious metal ,mining
OOO TV Transmit	Russia	Radio station
OAO TV-7	Russia	Television station
OAO TRK Skat-7	Russia	Cable TV
OAO UM-1	Russia	Transport repairs
OAO Cherepovets Steel Rolling Mill	Russia	Steel machining
RNPF Sheksna Gefest	Russia	Pension fund provider
OAO Insurance Company Sheksna	Russia	Insurance
OOO Sheksna Tour	Russia	Travel agent
OAO Sheksna Pharma	Russia	Pharmaceutical distribution
OAO Sheksna M	Russia	Medial insurance
OAO Sheksna Flax Factory	Russia	Textile manufacture

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

29. Subsequent events

On May 21, 2001 the Company signed a letter of intention with Usinor SA of France to create a joint venture to build a new galvanizing plant in Cherepovets which should become operational in 2004. Severstal will have a 75% share in the joint venture. The total investment relating to this new galvanizing plant, including up-grades of Severstal’s existing plant, is estimated at between US$ 140 million and US$ 160 million.

On June 28, 2001, Severstal and ZAO OMK announced the creation of a joint venture to produce wide diameter pipes, which will use the wide sheets produced by Severstal’s recently acquired hot rolling mill No3. Severstal will have a 50% share in this joint venture whose total investment is estimated at US$ 220 million and should become operational at the start of 2004.

At the annual meeting of shareholders held on June 29, 2001 the payment of a dividend of Rbs 60.00 per share was approved.

(Amounts expressed in thousands of US dollars)

30. Segmental information

Apart from the investment in Severstal Trade Gmbh, located in Austria, all assets and liabilities are held in Russia.

	Iron & steel	Farming	Social activities	Other	Total
Year ended December 31, 2000					
Total assets	1,935,932	-	29,510	4,173	1,969,615
External capital expenditure	96,952	-	-	-	96,952
Depreciation expense	122,971	-	2,547	442	125,960
Sales	2,066,296	-	1,462	5,412	2,073,170
Profit/(loss) from operations	691,686	-	-	(716)	690,970
Profit/(loss) before income taxes	683,622	-	(34,206)	(716)	648,700
Year ended December 31, 1999					
Total assets	1,531,300	-	36,271	5,178	1,572,749
External capital expenditure	(23)	-	-	23	-
Depreciation expense	119,194	507	2,516	472	122,689
Sales	1,460,870	524	1,111	6,486	1,468,991
Profit/(loss) from operations	305,397	(2,219)	-	(436)	302,742
Profit/(loss) before income taxes	260,012	(2,219)	(12,976)	(436)	244,381
Year ended December 31, 1998					
Total assets	1,605,856	10,826	35,113	5,568	1,657,363
External capital expenditure	61,016	899	-	274	62,189
Depreciation expense	141,908	557	3,313	416	146,194
Sales	1,932,607	3,462	1,965	12,835	1,950,869
Profit/(loss) from operations	188,263	(4,857)	-	(514)	182,892
Profit/(loss) before income taxes	137,865	(4,857)	(24,505)	(514)	107,989

The farming assets were spun off into a separate legal entity, which is a wholly owned subsidiary, during December 1999.

Transactions between the above segments are immaterial.