

**JSC "KRASNIJ OKTYABR"
SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS
DERIVED FROM THE AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000**

Auditors' Report on Summarised Consolidated Financial Statements

To the Shareholders and Board of Directors of JSC "Red October":

1. We have audited the consolidated financial statements of JSC "Red October" and its subsidiaries (together the "Group") as at 31 December 2000 and for the year then ended, from which the accompanying summarised consolidated financial statements were derived, in accordance with International Standards on Auditing. Those consolidated financial statements (not included herein) were prepared in accordance with International Accounting Standards. In our report dated 1 August 2001 we expressed an unqualified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived.
2. In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.
3. For a better understanding of the Group's financial position and the results of its operations and its cash flows for the period and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report thereon.

Moscow, Russian Federation
1 August 2001

JSC “KRASNIJ OKTYABR”
Summarised Consolidated Balance Sheet
Derived from the Audited Consolidated Financial Statements
for the Year Ended 31 December 2000



(In Thousands of Russian Roubles in Terms of Purchasing Power of the Rouble at 31 December 2000)

	31 December 2000 Rbl'000	31 December 1999 Rbl'000
Assets		
Non-current assets		
Property, plant and equipment	1,256,267	1,211,635
Goodwill	(24,268)	(36,964)
Investments in associates	3,946	6,781
Other investments	4,882	5,688
Other non-current assets	26,000	872
Deferred tax assets	4,418	59,487
Total non-current assets	1,271,245	1,247,499
Current assets		
Inventories	460,122	580,887
Accounts and other receivables	192,152	128,641
Prepayments	14,685	14,759
Cash and cash equivalents	45,144	60,573
Total current assets	712,103	784,860
Total assets	1,983,348	2,032,359
Equity and liabilities		
Capital and reserves		
Issued capital	196,215	196,215
Share premium	1,267,060	1,267,060
Cumulative gains and losses on reissuance of treasury shares	5,650	52,682
Treasury shares	(5,185)	(83,107)
Accumulated deficit	(406,150)	(425,216)
Total capital and reserves	1,057,590	1,007,634
Minority interest	91,064	95,005
Non-current liabilities		
Interest bearing borrowings	831	1,011
Deferred tax liabilities	13,353	10,331
Post retirement benefits	19,841	19,662
Total non-current liabilities	34,025	31,004
Current liabilities		
Interest bearing borrowings	417,546	429,920
Other borrowings	33,413	34,564
Accounts and other payables	146,520	224,351
Prepayments received	25,579	19,376
Current tax liability	100,659	106,459
Dividends payable	20,628	30,938
Accruals and deferred income	56,324	53,107
Total current liabilities	800,669	898,715
Total equity, minority interest and liabilities	1,983,348	2,032,359

These summarised financial statements were approved by the Board of Directors for signature on 1 August 2001

President

Dr. Anatoly N. Daursky

The financial statements, which the above summarised consolidated financial statement information has been derived from, are available from Joint Stock Company “Krasnij Oktyabr” upon request.

JSC “KRASNIJ OKTYABR”
Summarised Consolidated Income Statement
Derived from the Audited Consolidated Financial Statements
for the Year Ended 31 December 2000



(In Thousands of Russian Roubles in Terms of Purchasing Power of the Rouble at 31 December 2000 except for per share amounts)

	31 December 2000	31 December 1999
	Rbl'000	Rbl'000
Sales	3,286,577	3,924,677
Cost of sales	(2,648,282)	(3,253,659)
Gross profit	638,295	671,018
Other operating income	10,755	17,961
Distribution costs	(126,985)	(119,075)
General and administrative expenses	(373,589)	(370,356)
Goodwill amortisation – net	16,379	21,805
Other operating expenses	(23,941)	(25,293)
Impairment charge	-	(597,046)
Profit/(loss) from operations	140,914	(400,986)
Net interest expense	(121,005)	(131,268)
Gain on net monetary position	117,431	163,247
Foreign exchange loss	(16,967)	(140,032)
Gain from loan and account payable forgiveness	11,285	73,803
Subsidy from Moscow government received	7,000	12,013
Profit/(loss) before profits tax	138,658	(423,223)
Income tax (charge)/benefit	(106,459)	24,419
Profit/(loss) after profits tax	32,199	(398,804)
Minority interest	(172)	10,770
Net profit/(loss)	32,027	(388,034)
	Rbl'	Rbl'
Earnings/(loss) per ordinary share		
- basic and diluted	3.02	(52.09)
Earnings per preference share		
- basic and diluted	3.93	-

The financial statements, which the above summarised consolidated financial statement information has been derived from, are available from Joint Stock Company “Krasnij Oktyabr” upon request.

JSC “KRASNIJ OKTYABR”
Summarised Consolidated Cash Flow Statement
Derived from the Audited Consolidated Financial Statements
for the Year Ended 31 December 2000



(In Thousands of Russian Roubles in Terms of Purchasing Power of the Rouble at 31 December 2000)

	31 December 2000 Rbl'000	31 December 1999 Rbl'000
Cash flow from operating activities		
Profit/(loss) before profits tax	138,658	(423,223)
Adjustments for non-cash transactions:		
Depreciation	109,489	148,452
Impairment charge	-	597,046
Loss on disposal of tangible fixed assets	18,834	22,760
Net interest expense	121,005	131,268
Monetary and exchange rate effect on non-operating balances	(93,203)	(75,481)
Loss on disposal and impairment of investments	3,554	284
Goodwill amortisation – net	(16,379)	(21,805)
Income from loan and payable forgiveness	(11,285)	(73,803)
Subsidy from Moscow government received	(7,000)	(12,013)
Non-cash investing and financing activities	(16,840)	-
Income from investments in other companies	-	(64)
Operating profit before working capital changes	246,833	293,421
(Increase) / decrease in trade and other receivables	(41,216)	51,364
(Increase) / decrease in inventories	120,765	1,825
(Decrease) / increase in trade, other payables and accruals	(87,832)	70,197
Cash generated from operations	238,550	416,807
Interest paid	(116,030)	(139,262)
Profit tax paid	(38,266)	(185,363)
Net cash from operating activities	84,254	92,182
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	(4,384)
Purchase of property, plant and equipment	(114,358)	(250,219)
Purchase of non-current investments	(29,946)	-
Proceeds from sale of property, plant and equipment	439	2,156
Proceeds from sale of investments	164	-
Interest received	526	822
Net cash used in investing activities	(143,175)	(251,625)
Cash flows from financing activities		
Proceeds from issuance of share capital	-	125,273
Proceeds from re issuance of treasury shares	714	338
Proceeds from borrowings	888,378	1,816,818
Repayment of borrowings	(900,832)	(1,852,882)
Purchase of treasury shares	(3,003)	(24,289)
Dividends paid to the parent's shareholders	(16,075)	(43,481)
Subsidy from Moscow government	7,000	12,013
Dividends paid to minority interests	(9)	-
Effects of inflation and foreign exchange differences on financing activities	76,871	88,168
Net cash from (used) in financing activities	53,044	121,958
Effect of inflation and exchange rate changes on cash and cash equivalents	(9,552)	(12,687)
Net (decrease)/increase in cash and cash equivalents	(15,429)	(50,172)
Cash and cash equivalents – beginning of the period	60,573	110,745
Cash and cash equivalents – end of the period	45,144	60,573

Non-cash transactions

The principal non-cash transactions are the mutual offset and barter transactions executed in the normal course of the Group's business.

The financial statements, which the above summarised consolidated financial statement information has been derived from, are available from Joint Stock Company “Krasnij Oktyabr” upon request.