Open Joint Stock Company Magnitogorsk Iron & Steel Works and subsidiaries

Consolidated Financial Statements

(prepared in accordance with US GAAP)

As of and for the years ended December 31, 2004 and 2003

Contents

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Independent Auditors' Report

The Board of Directors
Open Joint Stock Company Magnitogorsk Iron & Steel Works

We have audited the accompanying consolidated balance sheets of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group") as of December 31, 2004 and 2003 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG Limited
20 April 2005

Open Joint Stock Company Magnitogorsk Iron & Steel Works and subsidiaries

Consolidated Balance Sheets

(In millions of US dollars)

	Note	December 31, 2004	December 31, 2003
Assets			
Cash and cash equivalents	6	1,884	824
Bank deposits	18	209	-
Accounts receivable from third parties, less allowance for doubtful trade accounts of USD 23 million in 2004 and USD 18 million in 2003	7	734	360
Accounts receivable from affiliates and other related parties		23	2
Prepaid expenses		15	22
Inventories	8	455	308
Other investments	11	53	50
Current deferred income tax asset	16	24	20
Total current assets		**3,397**	**1,586**
Property, plant and equipment	9	1,883	1,635
Intangible assets	10	17	22
Investments in affiliates	25	7	11
Other investments	11	1	1
Bank deposits	18	103	-
Non-current deferred income tax asset	16	3	6
Other non-current assets	12	5	6
Total assets		**5,416**	**3,267**
Liabilities and Stockholders' Equity			
Bank overdrafts		-	47
Short-term borrowings and current portion of long-term debt	13	847	87
Accounts and notes payable	17	403	284
Accounts payable to affiliates and other related parties		1	17
Current deferred income tax liability	16	11	-
Total current liabilities		**1,262**	**435**
Non-current portion of long-term debt	13	388	465
Employee benefits	15	23	22
Non-current deferred income tax liability	16	3	9
Other non-current liabilities		1	12
Total liabilities		**1,677**	**943**
Minority interest		**11**	**11**
Common stock (7,972,666 thousand stock of par value of 1 Russian ruble each, authorized and issued)		272	272
Preferred stock (2,657,556 thousand stock of par value of 1 Russian ruble each, authorized and issued)		91	91
Treasury stock at cost (common and preferred stock totaling, 401,345 thousand shares and 2,084,962 thousand shares at December 31, 2004 and 2003, respectively)		(30)	(19)
Additional paid-in capital		247	39
Retained earnings		3,148	1,930
Total stockholders' equity	**19**	**3,728**	**2,313**
Commitments and contingencies (notes 26 and 27)			
Total liabilities and stockholders' equity		**5,416**	**3,267**

The consolidated financial statements were approved on 20 April 2005 and signed by:

G.S.Senichev
Deputy to the General Director for Finance and Economics

A.S.Batrutdinov
Deputy Chief Accountant

Open Joint Stock Company Magnitogorsk Iron & Steel Works and subsidiaries

Consolidated Statements of Income

(In millions of US dollars except earnings per share)

	Note	Year ended December 31, 2004	2003
Gross revenue	5	4,829	3,047
Cost of products sold (exclusive of depreciation and amortization shown separately below)		(2,712)	(1,681)
Depreciation and amortization		(169)	(148)
Selling and distribution expenses		(128)	(112)
Administrative expenses		(213)	(190)
Social costs			
Social asset construction		(1)	(10)
Operation and maintenance expenses		(33)	(27)
Taxes other than income taxes		(48)	(36)
Change in allowance for doubtful accounts receivable and other provisions		10	7
Loss on disposal of property, plant and equipment		(28)	(38)
Other operating income		31	5
Income from operating activities		**1,538**	**817**
Equity in income from affiliates		1	7
Interest expense		(65)	(52)
Net foreign exchange gain		78	17
Interest income		69	17
Income before tax and minority interest		**1,621**	**806**
Income taxes	16	(389)	(204)
Income before minority interest		**1,232**	**602**
Minority interest		-	6
Net income		**1,232**	**608**
Basic and fully diluted earnings per common share (USD)	**20**	**0.125**	**0.074***
Basic and fully diluted earnings per preferred share (USD)	**20**	**0.125**	**0.076***

* Restated in compliance with the two-class method as prescribed by FAS128 *Earnings per share*.

The accompanying notes to financial statements set out on pages 8 to 27 are an integral part of these statements.

Open Joint Stock Company Magnitogorsk Iron & Steel Works and subsidiaries

Consolidated Statements of Cash Flows

(In millions of US dollars)

	Year ended December 31,	
	2004	**2003**
Operating activities		
Net income	1,232	608
Adjustments for non-cash items:		
Depreciation and amortization	169	148
Loss on disposal of property, plant and equipment	28	38
Change in allowance for doubtful accounts receivable and other provisions	(10)	(7)
Gain on disposal of investments	(8)	-
Deferred tax expense/(benefit)	4	(20)
Equity in income of affiliate companies	(1)	(7)
Minority interest	-	(6)
Operating profit before changes in working capital	**1,414**	**754**
Changes in operating assets and liabilities:		
(Increase)/decrease in inventories	(144)	(77)
(Increase)/decrease in trade and other receivables	(389)	(139)
Increase/(decrease) in trade and other payables	122	51
(Decrease)/Increase in income taxes payable	7	(4)
Net cash provided by operating activities	**1,010**	**585**
Investing activities		
Proceeds from sale of property, plant and equipment	3	14
Proceeds from sale of investments in affiliates	-	5
Acquisition of property, plant and equipment	(395)	(200)
Acquisition of intangible assets	(12)	(17)
Acquisition of subsidiaries and minority interest less cash acquired	(3)	(5)
Bank deposits	(312)	-
Net cash flow from other investments	6	(45)
Net cash used for investing activities	**(713)**	**(248)**

The accompanying notes to financial statements set out on pages 8 to 27 are an integral part of these statements.

Open Joint Stock Company Magnitogorsk Iron & Steel Works and subsidiaries

Consolidated Statements of Cash Flows continued

(In millions of US dollars)

	Year ended December 31,	
	2004	**2003**
Financing activities		
Proceeds from borrowings	1,357	628
Repayments of borrowings	(740)	(426)
Net increase/(decrease) in bank overdrafts	(47)	41
Acquisition of treasury stock	(39)	(8)
Proceeds from re-issuance of treasury stock, net of tax paid	236	34
Payments made under capital lease	(10)	(15)
Dividends paid	(14)	(5)
Net cash provided by financing activities	**743**	**249**
Effect of exchange rate changes on cash and cash equivalents	20	17
Net increase in cash and cash equivalents	**1,060**	**603**
Cash and cash equivalents at beginning of year	824	221
Cash and cash equivalents at year end	**1,884**	**824**
Supplementary information		
Interest paid	45	40
Income tax paid	448	228

The accompanying notes to financial statements set out on pages 8 to 27 are an integral part of these statements.

Open Joint Stock Company Magnitogorsk Iron & Steel Works and subsidiaries

Consolidated Statements of Stockholders' Equity

(In millions of US dollars)

	Common stock	Preferred stock	Common treasury stock	Preferred treasury stock	Additional paid- in capital	Retained earnings	Total
Balance at January 1, 2003	272	91	(19)	(3)	16	1,327	1,684
Acquisition of treasury stock	-	-	(6)	(2)	-	-	(8)
Re-issuance of treasury stock	-	-	6	5	23	-	34
Dividends	-	-	-	-	-	(5)	(5)
Net income	-	-	-	-	-	608	608
Balance at December 31, 2003	**272**	**91**	**(19)**	**-**	**39**	**1,930**	**2,313**
Acquisition of treasury stock	-	-	(12)	(27)	-	-	(39)
Re-issuance of treasury stock, net of tax effect of USD 70 million	-	-	20	8	208	-	236
Dividends	-	-	-	-	-	(14)	(14)
Net income	-	-	-	-	-	1,232	1,232
Balance at December 31, 2004	**272**	**91**	**(11)**	**(19)**	**247**	**3,148**	**3,728**

The accompanying notes to financial statements set out on pages 8 to 27 are an integral part of these statements.

1. Background

(a) Organisation and operations

The consolidated financial statements of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries ("the Group") comprise the parent company Open Joint Stock Company Magnitogorsk Iron & Steel Works ("MMK" or "the Parent Company") and its 60 subsidiaries. The Parent Company is an open joint stock company as defined in the Civil Code of the Russian Federation. The head office of the Group is located at:

Ulitsa Kirova 93
455002 Magnitogorsk,
Russia

The Parent Company was established as a state owned enterprise in 1932. It was incorporated as an open joint stock company on October 17, 1992 as part of the Russian Federation privatisation program. The principal activity of the Group is the production of ferrous metal products at the Parent Company's plant located in the city of Magnitogorsk in the Chelyabinsk region of the Russian Federation. The Group's products are sold in the Russian Federation and abroad. The subsidiaries are mainly involved in the various sub-processes within the production cycle of the ferrous metal products or in the distribution of the products.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks which do not typically exist in other markets. The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of preparation

(a) Statement of compliance

The accompanying financial statements have been prepared in compliance with accounting principles generally accepted in the United States of America ("US GAAP").

(b) Principles of consolidation

The consolidated financial statements include the financial statements of MMK, its subsidiaries and variable interest entities where the Group holds a controlling financial interest other than through voting rights.

(c) Historical cost basis

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investments held-for-trading and investments available-for-sale.

(d) Foreign currency translation

The national currency of the Russian Federation is the Russian Rouble. The Group has assessed its operations in the Russian Federation and determined its functional currency to be US dollars for financial reporting. The US dollar is also the reporting currency for the Group under US GAAP.

Monetary assets and liabilities have been translated into US dollars at the rate prevailing at each balance sheet date. Non-monetary assets and liabilities have been translated into US dollars at historical rates. Revenues, expenses and cash flows have been translated into US dollars at rates which approximate actual rates at the date of the transaction. Translation differences resulting from the use of these rates are included in the consolidated statement of income.

As of December 31, 2004 and 2003, exchange rates of 27.75 and 29.45 Russian rubles to the US dollar, respectively, have been used for translation purposes. The annual weighted average exchange rate was 28.83 and 30.66 Russian rubles to the US dollar for the years ended December 31, 2004 and 2003, respectively.

The Russian ruble is not readily convertible outside the Russian Federation. Accordingly, the translation of amounts recorded in Russian rubles into US dollars should not be construed as a representation that the Russian ruble amounts have been, could be, or will in the future be converted into US dollars at the exchange rate shown or at any other exchange rate.

(e) Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment (refer note 1(b)). The accompanying financial statements do not include any adjustments should the Group be unable to continue as a going concern.

(f) Use of estimates

The preparation of the consolidated financial statements requires management of the Group to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, intangibles and goodwill; valuation allowances for receivables, inventories and deferred income tax assets. Actual results could differ from those estimates.

3. Significant 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.

(a) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer accounting policy (c)). The historical cost and depreciated historical cost of property, plant and equipment acquired or constructed prior to 1992 was determined by an independent appraiser due to the absence of reliable US GAAP accounting records.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as capital leases. Plant and equipment acquired by way of capital lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (refer accounting policy (c)).

(iii) Depreciation

Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The following useful lives have been applied to depreciated assets:

■ buildings	33-44 years
■ machinery and equipment	17-32 years
■ transportation equipment	8-22 years
■ fixtures and fittings	8-14 years

(b) Goodwill and other intangible assets

Goodwill represents the excess of the costs over the fair value of the assets of the businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of FASB Statement No. 142, *Goodwill and Other Intangible Assets*. Intangible assets with finite useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with FASB Statement No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets* ("Statement 144").

(c) Impairment of long lived assets

In accordance with Statement 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value.

(d) Trade and other receivables

Trade accounts receivable are recorded at invoiced amounts and do not bear interest. The allowance for doubtful accounts is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable balances. The Group reviews its allowance for doubtful accounts monthly. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Group does not have any off-balance-sheet credit exposure related to its customers.

(e) Inventories

Inventories are stated at the lower of cost or market value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and liquid promissory notes with original maturities of less than three months. Cash funds which are subject to restrictions on their immediate use are not considered cash equivalents.

(g) Investment securities

The Group classifies its debt securities in one of three categories: trading, available-for-sale or held-to-maturity and its equity securities as trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the short term. Held-to-maturity debt securities are those securities in which the Group has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity debt securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed to be other-than-temporary results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Group considers whether it has the ability and intent to hold the investment until the market price recovers and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity or available-for-sale security as an adjustment to yield using the effective-interest method. Dividend and interest income are recognized when earned.

(h) Short-term borrowings and long-term debt

Short-term borrowings and long-term debt are initially recorded at the value of the net proceeds received. Any difference between the net proceeds and the redemption value is recognised in the consolidated income statement over the term of the borrowing on an effective interest basis.

(i) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the consolidated statement of income as incurred.

(ii) Defined benefit plans

The Group's net obligations in respect of defined benefit pension and healthcare plans are 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. These benefits are discounted to determine the present value, and the fair values of any plan assets are deducted. The discount rate is the yield on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a suitably qualified expert using the projected unit credit method.

(j) Accrued and contingent liabilities

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

(k) Trade and other payables

Trade and other payables are stated at their cost.

(l) Revenue recognition

(i) Goods sold

The Group recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, pervasive evidence of an arrangement exists and the sales price is fixed or determinable.

(ii) Interest income

Interest income is recognized in the consolidated statement of income as earned.

(m) Non-cash transactions

The Group has a significant level of non-cash transactions as is common with many Russian companies. Non-cash transactions consist of mutual settlements arising from the exchange of goods and services. Approximately 15% (2003: 15%) of revenues and 15% (2003: 17%) of purchases in 2004 were received and paid for in the form of non-cash transactions. Mutual settlement transactions are centrally managed by the Group. Prices are usually fixed in contracts with the mutual settlement transactions valued and recorded at market prices for the goods involved in the transaction. Non-cash sales and purchases are accounted for on an accruals basis in the same manner as traditional cash transactions.

(n) Social costs

(i) Social construction costs

Capital expenditure of a social nature which benefits the community as a whole and is not expected to bring significant future economic benefits to the Group is recognized in the consolidated statement of income as incurred.

(ii) Operation and maintenance expenses

Expenditure related to the operation and maintenance of sports complexes, holiday and recreational facilities, medical centres, public housing, kindergartens and restaurants are recognized in the consolidated statement of income as incurred.

(o) Income tax

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In accordance with SFAS No. 52 and SFAS No. 109 *Accounting for Income Taxes*, deferred tax assets and liabilities are not recognized for temporary differences arising from the re-measurement of the local currency into the functional currency using historical exchange rates. Also, in accordance with SFAS No. 109, no deferred tax assets or liabilities are recognized for the effects of tax indexation of property, plant and equipment. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of income in the reporting period that includes the enactment date. Deferred income tax assets and liabilities arising in different tax jurisdictions are not offset.

The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income in the reporting periods in which the originating expenditure becomes deductible. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that the deferred income tax assets will be realized. In making this assessment, management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies.

4. Segment information

The Group predominantly produces iron and steel products. The revenues from the sale of these products constitute more than 95% of the total revenues. An analysis of sales by product and the location of the end customers is included in note 5. Geographically, all significant assets, production and management/administrative facilities are located in Magnitogorsk.

(In millions of US dollars, unless otherwise stated)

5. Gross revenue

	Year ended December 31,	
	2004	**2003**
Rolled steel	2,853	1,850
Assorted rolled products	365	277
Galvanized steel	321	264
Tin plated steel	217	185
Band	251	106
Slabs	248	71
Metae	121	73
Wire, sling, bracing	80	50
Tubes	45	28
Other	328	143
	4,829	**3,047**

Percentage of total revenue by location of the end customer	Year ended December 31,	
	2004	**2003**
Russia and CIS	55%	55%
China	6%	15%
Italy	6%	4%
Turkey	5%	3%
Taiwan	4%	1%
India	3%	3%
USA	3%	-
Iran	2%	7%
Vietnam	-	2%
Other (countries each representing less than 2% of total revenue)	16%	10%
	100%	**100%**

6. Cash and cash equivalents

Cash and cash equivalents comprise local and foreign currency bank balances, call deposits and bank promissory notes.

	December 31,	
	2004	**2003**
RUR denominated Russian bank deposits	1,619	515
RUR bank accounts	142	25
USD bank deposits	61	135
USD bank accounts	29	3
EUR denominated liquid bank promissory notes	14	-
Other RUR denominated cash equivalents	14	31
EUR bank accounts	5	13
USD denominated liquid bank promissory notes	-	102
Cash and cash equivalents per balance sheet	**1,884**	**824**

(In millions of US dollars, unless otherwise stated)

7. Accounts receivable from third parties

	December 31, 2004	December 31, 2003
Trade accounts receivable	470	202
VAT receivable	184	109
Advances paid	59	29
Other receivables	44	38
	757	378
Allowance for doubtful trade accounts receivable	(23)	(18)
	734	**360**

8. Inventories

	December 31, 2004	December 31, 2003
Raw materials and consumables	319	205
Work in progress	118	78
Finished goods and goods for resale	31	41
	468	324
Provision for inventory obsolescence	(13)	(16)
	455	**308**

9. Property, plant and equipment

	Cost	Accumulated depreciation	Carrying Value
Land and buildings	1,230	(662)	568
Machinery and equipment	2,828	(1,800)	1,028
Transportation equipment	152	(97)	55
Fixtures and fittings	60	(24)	36
Assets under construction	196	-	196
Balance at December 31, 2004	**4,466**	**(2,583)**	**1,883**
Land and buildings	1,160	(631)	529
Machinery and equipment	2,638	(1,768)	870
Transportation equipment	142	(92)	50
Fixtures and fittings	50	(17)	33
Assets under construction	153	-	153
Balance at December 31, 2003	**4,143**	**(2,508)**	**1,635**

In 2004 the depreciation of property, plant and equipment amounted to USD 152 million (2003: USD 138 million), of which USD 146 million (2003: USD 131 million) related to productive assets.

Borrowing costs
In 2004 USD 1 million of borrowing costs were capitalised as part of the cost of qualifying assets (2003: Nil).

(In millions of US dollars, unless otherwise stated)

10. Intangible assets

	Cost	Accumulated amortization	Carrying value
Licenses and other intangibles	31	(15)	16
Goodwill	1	-	1
Balance at December 31, 2004	32	(15)	17
Licenses and other intangibles	47	(26)	21
Goodwill	1	-	1
Balance at December 31, 2003	48	(26)	22

11. Other investments

	December 31,	
	2004	**2003**
Current investments		
Equity securities held for trading	2	3
Debt securities held for trading	16	17
Promissory notes held to maturity	35	30
	53	**50**
Non-current investments		
Equity securities available-for-sale	**1**	**1**

The Group has a portfolio of promissory notes held to maturity and debt securities held for trading, which mature in 2005.

Unrealised holding gains on promissory notes held to maturity during the year ended December 31, 2004 were USD 6 million (2003: Nil) and are included in the net foreign exchange gain in the consolidated statement of income. Unrealised holding gains were primarily due to the appreciation of the euro against the US dollar on the Group's euro-denominated promissory notes.

Net realised gains on trading securities during the year ended December 31, 2004 were USD 8 million (2003: Nil) and are included in other operating income in the consolidated statement of income. Debt securities held for trading are subject to the price volatility associated with any interest bearing instrument.

12. Other non-current assets

	December 31,	
	2004	**2003**
Restricted cash	4	1
Loans to employees	1	1
Loan provided to related party	-	3
Long-term debtors	-	1
	5	**6**

Restricted cash comprises cash held in certain bank accounts of the Group, which has been pledged as collateral for letters of credit issued on the Group's behalf for the purpose of acquiring equipment.

(In millions of US dollars, unless otherwise stated)

13. Short-term borrowings and long-term debt

	Effective interest rate	2004	Effective interest rate	2003
Current liabilities				
Secured loans - RUR, fixed	7%	150	15%	1
- RUR, variable	11%	4	-	-
Unsecured loans - RUR, fixed	7%	430	-	-
- USD, variable	4%	40	4%	40
- USD, fixed	-	-	4%	20
Current portion of unsecured Russian bond issues - RUR, fixed	9%	28	-	-
Current portion of unsecured bond issues - EUR, fixed	11%	148	11%	11
- USD, fixed	9%	4	9%	4
Current portion of secured loans - RUR, fixed	12%	2	-	-
Current portion of secured loans - RUR, variable	-	-	16%	2
Current portion of secured loans - USD, variable	3%	3	-	-
Current portion of unsecured loans – USD, variable	3%	16	2%	2
- RUR, fixed	11%	2	-	-
Current portion of finance lease liabilities – RUR, fixed	16%	20	21%	7
		847		**87**
Non-current liabilities				
Secured loans - RUR, fixed	12%	3	-	-
- USD, variable	3%	24	-	-
- RUR, variable	-	-	16%	1
Unsecured loans - USD, variable	3%	39	2%	11
Unsecured bonds issues – EUR, fixed	-	-	11%	124
Unsecured bonds issues – USD, fixed	9%	296	9%	295
Unsecured bonds issues – RUR, fixed	-	-	10%	27
Capital lease liabilities - RUR, fixed	15%	26	20%	7
		388		**465**
Unused available borrowing facilities - USD, variable		92		77

The weighted average interest rate on short-term borrowings outstanding as at the balance sheet date was 8% (2003: 7%).

(In millions of US dollars, unless otherwise stated)

Long-term debt repayment schedule

		Total	Current portion	2006	2007	2008	2009
Secured bank loans	– USD, variable	27	3	4	6	6	8
	– RUR, fixed	5	2	2	1	-	-
Unsecured loans	– USD, variable	55	16	20	17	2	-
	– RUR, fixed	2	2	-	-	-	-
Unsecured bond issues	– EUR, fixed	148	148	-	-	-	-
	– USD, fixed	300	4	-	-	296	-
	– RUR, fixed	28	28	-	-	-	-
Capital lease liabilities	– RUR, fixed	46	20	14	8	2	2
		611	**223**	**40**	**32**	**306**	**10**

Subsequent events

On February 18, 2005 the Group repaid an unsecured euro-denominated bond issue of USD 148 million. On March 31, 2005 the Group repaid secured and unsecured rouble denominated short-term loans and borrowings of USD 144 million and USD 72 million, respectively, that existed at December 31, 2004. Pledged property, plant and equipment of USD 194 million was released on the repayment of the secured loans and borrowings. On April 18, 2005 the Group repaid an unsecured Russian bond issue of USD 28 million.

Capital lease assets and liabilities

Capital lease liabilities are payable as follows:

	2004			2003		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	25	5	20	9	2	7
Between one and five years	30	4	26	8	1	7
	55	**9**	**46**	**17**	**3**	**14**

Leased assets with a carrying amount of USD 54 million (2003: USD 22 million) were included in property, plant and equipment as follows:

	Cost	Accumulated depreciation	Carrying value
Machinery and equipment	49	(6)	43
Assets under construction	11	-	11
Balance at December 31, 2004	**60**	**(6)**	**54**
Balance at December 31, 2003	**24**	**(2)**	**22**

(In millions of US dollars, unless otherwise stated)

14. Pledges provided by the Group

As at the balance date the Group had pledged property, plant and equipment of USD 241 million and USD 6 million of inventory (2003: USD 32 million of property, plant and equipment). The Group also had committed to pledge a further USD 57 million of property, plant and equipment.

The Group is subject to the following pledges as at December 31, 2004:

	December 31,	
	2004	**2003**
Short-term		
Pledges provided for the debt of the Group	202	-
Long-term		
Pledges provided for the debt of related parties	-	3
Pledges provided for the debt of the Group	45	29
	247	**32**

Subsequent event

Subsequent to the balance sheet date, the Group entered into an agreement with a bank to cancel a pledge agreement of USD 71 million against property, plant and equipment (including the USD 57 million referred to above). In addition, pledged property, plant and equipment of USD 194 million was released on the repayment of the secured loans and borrowings (refer note 13).

15. Employee benefits

Defined contribution obligations

The Group makes monthly contributions to a non-government pension fund “Sotsialnaya Zashchita Starosti” where the employee has an individual accumulation agreement with the fund.

The Group has the ability to exercise significant influence over the financial and operating policy decisions of the fund through positions that certain directors of the Group have on the board of directors of the fund.

The monthly contribution made by the Group is equal to the employee’s contribution, unless the employee is a male aged between 55 and 60, or a female aged between 50 and 55, in which case the contribution will be 1.5 times the employee’s contribution. The monthly contribution by the Group may not exceed RUR 4,000 (USD 144) per employee (2003: RUR 2,000 (USD 68) per employee). In 2004 contributions made by the Group to the fund were USD 2.7 million (2003: USD 1.5 million).

Russian Federation State Pension Fund

The Group pays into the Russian Federation State Pension Fund a percentage of each employee’s wage based on a scale as established by the Russian Tax Code. In 2004 total payments made to the state pension fund totalled USD 38 million (2003: USD 37 million). These amounts are expensed when incurred and are recorded in taxes related to personnel expenses.

Defined benefit obligations

The Group also has a defined benefit plan in favour of employees who retired prior to 1 April 2000. Pensions from this defined benefit plan are administered by the independent charity fund, “BOF Metallurg”.

The Group makes monthly payments to the fund of RUR 276 (USD 9.58) per retiree every month (2003: RUR 241, USD 7.85), which are then distributed by the fund to retirees. The fund does not hold any assets set aside for the benefit of retirees under this plan.

(In millions of US dollars, unless otherwise stated)

	December 31,	
	2004	**2003**
Liability for defined benefit obligations	**23**	**22**

Benefit obligations recognized in the balance sheet:

	December 31,	
	2004	**2003**
Net benefit obligations at January 1, 2004	22	22
Payments made during the year	(3)	(2)
Expenses recognized in the statement of income	4	2
Net benefit obligations at December 31, 2004	**23**	**22**

The pension related expenses were as follows:

	December 31,	
	2004	**2003**
Interest costs	3	4
Actuarial loss/(gain)	(1)	4
Foreign exchange loss/(gain)	2	(6)
Total pension related expense	**4**	**2**

Current service costs and actuarial gains and losses are recognized in administrative expenses in the consolidated statement of income.

The principal actuarial assumptions used to calculate the retirement benefit liabilities at the balance sheet date were are follows:

	December 31,	
	2004	**2003**
Discount rate at December 31,	10.6%	15.4%
Future retirement benefit increases (based on RUR amounts)	8.7%	13.1%

Cash Flows

The benefits expected to be paid from the pension plan in each year from 2005-2009 are USD 2 million per annum. The aggregate benefits expected to be paid during the five years from 2010-2014 are USD 6 million. The aggregate of the benefits expected to be paid after 2014 are USD 7 million. The expected benefits are based on the same assumptions used to measure the Group’s benefit obligation at December 31, 2004 and include estimated future employee service.

(In millions of US dollars, unless otherwise stated)

16. Taxes

	December 31, 2004	December 31, 2003
Current tax expense		
Current year expense	385	224
Overprovided in prior years	-	-
	385	224
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	4	(20)
	389	**204**

The following table is a reconciliation of the notional income tax at the Russian statutory tax rate applied to income before income taxes to total income taxes:

	December 31, 2004	December 31, 2003
Income before income taxes	1,621	806
Notional income tax at Russian statutory rate	389	193
Increase in income tax due to non-deductible items	1	11
Overprovided in prior years	(1)	-
Total income taxes	**389**	**204**

Deferred income tax assets and liabilities were comprised of differences arising between the carrying values of the following assets and liabilities:

	December 31, 2004	December 31, 2003
Property, plant and equipment - depreciation	-	2
Inventories - cash basis tax accounting, provisions	1	-
Investments	3	4
Loans and borrowings	7	-
Trade and other accounts receivable	5	1
Trade and other accounts payable	10	19
Tax loss carryforwards	1	-
Gross deferred income tax assets	27	26
Property, plant and equipment - depreciation	(2)	-
Investments	(1)	(6)
Inventories	(9)	(3)
Trade and other accounts receivable - cash basis tax accounting	(2)	-
Gross deferred income tax liabilities	(14)	(9)
Net deferred income tax asset	**13**	**17**

(In millions of US dollars, unless otherwise stated)

Deferred income tax balances were classified in the consolidated balance sheet as follows:

	December 31,	
	2004	**2003**
Current deferred income tax asset	24	20
Current deferred income tax liability	(11)	-
Non-current deferred income tax asset	3	6
Non-current deferred income tax liability	(3)	(9)
Net deferred income tax asset	**13**	**17**

Retained earnings of foreign subsidiaries included USD 22 million (2003: USD 21 million) on which deferred income tax has not been provided for because remittance of the earnings has been indefinitely postponed through reinvestment and, as a result, such amounts are considered to be permanently invested.

In accordance with SFAS No. 52 and SFAS No. 109 *Accounting for Income Taxes*, deferred tax assets and liabilities are not recognized for temporary differences arising from the re-measurement of the local currency into the functional currency using historical exchange rates. Also, in accordance with SFAS No. 109, no deferred tax assets or liabilities are recognized for the effects of tax indexation of property, plant and equipment. These deferred tax assets and liabilities would be recognized in the event that the functional currency of MMK was subsequently determined to be the local currency.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes it is more likely than not that Group companies will realize the benefits of the deductible differences. Accordingly, no valuation allowances have been provided against deferred tax assets at December 31, 2004 and 2003.

17. Accounts and notes payable

	December, 31	
	2004	**2003**
Trade accounts payable	166	112
Advances from customers	106	67
Income tax payable	11	4
Other taxes payable	44	48
Other current liabilities	76	53
	403	**284**

18. Bank deposits

The Group has entered into a structured arrangement with a Russian bank whereby it has placed subordinated cash deposits totaling USD 312 million, which are not available to be withdrawn from the bank until 15 December 2009. However, according to the terms of the arrangement, the Group has the right to require a company affiliated to the bank to repay USD 209 million of these deposits any time on or after 27 December 2005.

(In millions of US dollars, unless otherwise stated)

19. Stockholders' equity

Common and preferred stock
As at the balance sheet date the authorised and issued share capital comprised common stock of 7,972,665,600 shares (2003: 7,972,665,600 shares) and non-redeemable non-cumulative preferred stock of 2,657,556,000 shares (2003: 2,657,556,000 shares). All shares have a par value of RUR 1. There was no unpaid stock as at the balance sheet date. All stock ranks equally with regard to the Group's residual assets.

Dividends
Holders of non-redeemable non-cumulative preferred stock are entitled to receive a fixed dividend of 10% of income after tax and other deductions calculated in accordance with Russian legislation. The amount of preferred dividend must not be less than the amount of the common dividend declared at the annual stockholders' meeting.

According to legislation in the Russian Federation, non-cumulative preferred stockholders have the same voting rights as common stockholders in the event of non-declaration or payment of dividends to preferred stockholders. This right commences from the stockholders' meeting following the annual meeting at which the decision was made to default on full payment of the preferred dividend and terminates from the moment the preferred dividends are paid in full.

By decision of the stockholders at a general meeting, preferred stock may be converted into cumulative preferred stock, on which unpaid dividends shall accrue and be paid in the future.

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined in accordance with the legislation of the Russian Federation. At the balance sheet date reserves available for distribution, in accordance with Russian legislation, amounted to USD 1,949 million (2003: USD 1,028 million).

At the balance sheet date the following dividends have been recommended by the directors, but have not been approved and are therefore not provided for:

	December 31,	
	2004	**2003**
RUR 1.34 per qualifying common stock (2003: RUR 0.026)	385	7
RUR 1.34 per preferred stock (2003: RUR 0.081)	128	7
	513	**14**

Voting rights of stockholders
The holders of fully paid common stock are entitled to one vote per share at the annual and general stockholder meetings of the Group. Stockholders that own fully paid preferred stock shall ordinarily participate in the meetings of stockholders with the right to vote only on issues of reorganisation or liquidation of the Parent Company and issues concerning amendments to the Parent Company's charter which would restrict their rights.

Treasury stock
At the balance sheet date the Group held 335,171 thousand shares (2003: 2,036,380 thousand shares) of its own common stock and 66,174 thousand shares (2003: 48,582 thousand shares) of its own preferred stock. The Group also controls the voting rights of a further 4,298,295 thousand shares (2003: 2,573,049 thousand shares) of its own common stock and 2,000,732 thousand shares (2003: 1,930,682 thousand shares) of its own preferred stock, which subsidiaries of the Group hold in a trustee capacity under trust management agreements. Dividends accrue to the beneficial owners of the stock. Transactions with the stock held under the trust management agreements can only be performed after receiving express written instructions from the Founder of the trust.

Re-issuance of treasury stock

During the year the Group re-issued treasury shares in the form of 1,728,773 thousand common shares and 66,636 thousand preferred shares for aggregate amounts of USD 300 million and USD 6 million, respectively. As at the balance sheet date a subsidiary of the Group held these shares in a trustee capacity under the trust management arrangement as discussed above.

20. Earnings per share

The calculation of basic and diluted earnings per share as at December 31, 2004 was based on the distributed and undistributed earnings attributable to common and preferred stockholders and the weighted average number of common shares and preferred shares outstanding during the year then ended, calculated as follows:

Net income attributable to common and preferred stockholders

	Year ended December 31,	
	2004	**2003**
Net income for the year	1,232	608
Dividends on common stock	-	(7)
Dividends on non-redeemable non-cumulative preferred stock	-	(7)
Undistributed earnings	**1,232**	**594**
Undistributed earnings attributable to common stockholders	903	409
Undistributed earnings attributable to preferred stockholders	329	185

Weighted average number of common stock

	Year ended December 31,	
In thousands of shares	**2004**	**2003**
Issued common stock at 1 January	7,972,666	7,972,666
Effect of own stock held	(773,928)	(2,353,057)
Weighted average number of common shares at December 31	**7,198,738**	**5,619,609**

Weighted average number of preferred stock

	Year ended December 31,	
In thousands of shares	**2004**	**2003**
Issued preferred stock at 1 January	2,657,556	2,657,556
Effect of own stock held	(32,434)	(125,038)
Weighted average number of preferred shares at December 31	**2,625,122**	**2,532,518**

Basic and diluted earnings per share – common stock

	Year ended December 31,	
In USD per share	**2004**	**2003**
Distributed earnings	-	0.001
Undistributed earnings	0.125	0.073
	0.125	**0.074**

(In millions of US dollars, unless otherwise stated)

Basic and diluted earnings per share – preferred stock

	Year ended December 31,	
In USD per share	2004	2003
Distributed earnings	-	0.003
Undistributed earnings	0.125	0.073
	0.125	**0.076**

21. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group does not use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates.

Credit risk

Financial instruments that potentially subject the Group to significant credit risk consist primarily of cash and cash equivalents, accounts receivable and bank deposits. The Group has bank accounts held in Credit Ural Bank, a related party of the Group. The Group also holds deposits in leading Russian banks, and uses promissory notes acquired from Credit Ural Bank as cash equivalents. Credit risk evaluations are performed for all banks in which the Group holds deposits, and all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset and the contractual amounts of the financial guarantees (refer note 27(i)).

Interest rate risk

The Group incurs interest rate risk primarily on loans and borrowings. The interest rate and terms of repayment of loans are disclosed in note 13. The Group borrows on both a fixed and variable interest rate basis. All variable interest rate loans and borrowings are re-priced on a monthly basis.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the US dollar. The currencies giving rise to this risk are primarily the Russian rouble and the euro.

Fair value

The Group estimates the fair values of its financial assets and liabilities as not being materially different from their carrying values. The estimate of fair value is intended to approximate the amount at which the financial instrument could be exchanged in a current transaction between willing parties, and is subject to management judgment and economic uncertainties.

22. Concentration of risk

(i) Significant customer/ supplier

During 2004 the Group made sales of USD 1,475 million (2003: USD 655 million) to MMK Metal Limited, a customer which trades MMK steel on the export market. These sales represented 31% (2003: 22%) of the Group's total revenue. In addition, the Group purchased iron ore concentrate and pellets of USD 572 million (2003: USD 330 million) from MMK Metal Limited. As at the balance sheet date MMK Metal Limited owed the Group USD 335 million (2003: USD 96 million).

No other individual customer or supplier represented more than 10% of the Group's revenue during 2004 or 2003.

(ii) Significant deposits on account

As at the balance sheet date the Group held cash, cash equivalents and bank deposits amounting to USD 1,977 million in a major Russian bank.

(In millions of US dollars, unless otherwise stated)

23. Acquisition of subsidiaries

ZAO Mehanoremont
In March and April 2004 the Group acquired a further 30% and 3% effective ownership in ZAO Mehanoremont for USD 2,079 thousand and USD 301 thousand respectively, increasing the Group's total effective ownership to 99%. The net loss attributable to this subsidiary for the year ended December 31, 2004 was USD 5 million.

OAO MCOZ
In April and June 2004 the Group acquired a further 14% and 3% effective ownership in OAO MCOZ for USD 347 thousand and USD 34 thousand, respectively, increasing the Group's total effective ownership in OAO MCOZ to 95% and the Group's total effective ownership in ZAO Ogneupor to 95%, respectively. The net profit attributable to these subsidiaries for the year ended December 31, 2004 was USD 4 million.

24. Variable interest entities

In 2003 the Group entered into a strategic alliance with OOO MetAl which holds a license to extract coal from a mine in the Kemerovo region. The Group entered into an arrangement to finance the development of the mine in return for the sole rights to receive coal extracted from the mine at favorable prices, and appointed a representative of the Group to the position of General Director of OOO MetAl. At December 31, 2004 the Group had provided loans of USD 23 million to OOO MetAl and contractually committed RUR 4.8 billion (USD 162 million) for the development of the mine. The net assets of OOO MetAl as at December 31, 2004 are USD 1 million. The Group believes it has a controlling financial interest in OOO MetAl and has included the entity in the consolidated financial statements of the Group as a variable interest entity. The creditors of OOO MetAl have no recourse to the general credit of MMK and its subsidiaries.

25. Affiliate and other related party transactions

As at the balance sheet date the Group had the following investments in affiliates:

	Country of incorporation	Ownership 2004	Ownership 2003	Voting interest 2004	Voting interest 2003
OOO MMK Trans	Russia	50%	49%	50%	50%

Affiliate and other related party transactions
The Group had the following related party transactions during the year with:

Enterprises in which the Directors had a financial interest	December 31, 2004	December 31, 2003
Domestic sales of steel	65	35
Purchases of scrap metal	245	167
Loans and overdrafts obtained	21	214
Loans and overdrafts repaid	27	217
Bank charges	11	11
Lease payments	15	9
Insurance payments	31	41
Purchases of promissory notes	-	24
Loan provided	-	3

(In millions of US dollars, unless otherwise stated)

Enterprises controlled by a representative of a principal shareholder and Director of the Group	December 31, 2004	December 31, 2003
Export sales	3	154
Purchases of coal and ore concentrate	3	164

Affiliates	December 31, 2004	December 31, 2003
Sales of steel	13	54
Purchases of freight services	19	17
Loans provided	2	-
Domestic purchases	12	-

As at the balance sheet date the Group had the following related party balances outstanding with:

Enterprises in which the Directors had a financial interest	December 31, 2004	December 31, 2003
Cash and cash equivalents	85	40
Loans and overdraft facilities	5	11
Promissory notes receivable	30	24
Loans and borrowings	24	25
Trade payables	1	4
Advances received	-	2
Advances paid	21	-
Lease payable	19	9
Loan receivable	-	3

Enterprises controlled by a representative of a principal shareholder and Director of the Group	December 31, 2004	December 31, 2003
Trade receivables	-	2
Trade payables	-	6

Affiliates	December 31, 2004	December 31, 2003
Advances paid	2	-
Trade payables	-	5

26. Commitments

(i) Capital commitments

The Group is committed to capital expenditure of approximately USD 495 million (2003: USD 280 million).

(ii) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities, however, management expects that the Group will continue to fund these social programs for the foreseeable future. These costs are recorded in the year they are incurred.

(In millions of US dollars, unless otherwise stated)

27. Contingencies

(i) Financial guarantees

The Group has provided financial guarantees for loans obtained by certain related and third party suppliers of the Group. Amounts related to the Group's financial guarantees are as follows:

	2004	2003
Non-current		
Related party suppliers	31	10
Current		
Related party suppliers	49	-
Third party suppliers	-	1
	80	**11**

The Group's estimated maximum exposure to credit losses in the event of non-performance by the other parties to these financial guarantees is represented by the contractual amounts disclosed above. Assets of the Group were also pledged against loans advanced to related parties (refer note 14). Management believes that the likelihood of material payments being required under these agreements is remote. As at December 31, 2004 the Group did not have any contractual commitments to extend financial guarantees, credit or other assistance.

(iii) Litigation

As at the balance sheet date the Group did not have any material unresolved claims against it.

(iv) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for all tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(v) Environmental liabilities

The Group is obligated to undertake certain environmental remediation activities to ensure site restoration of a large iron ore quarry in the Magnitogorsk region. In accordance with permission granted by the Magnitogorsk Regional Ecological Committee, the Group utilises production waste to fill the iron ore quarry where this waste does not exceed a prescribed toxicity level. Amounts of waste which exceed this toxicity level are not significant and are treated by licensed specialists. The future cost associated with the restoration of the iron ore quarry are not expected to be significant. These costs and other environmental compliance costs associated with air and water pollution are included in the normal operating expenses of the Group as they are incurred.

Environmental regulations are currently under consideration in the Russian Federation and the Group is continuously evaluating its obligations relating to new and changing legislation. The likelihood and amount of liabilities relating to environmental obligations under proposed or any future legislation cannot be reasonably estimated at present and could become material.

Under existing legislation, management believes that there are no significant unrecorded liabilities or contingencies, which could have a significant adverse effect on the operating results or financial position of the Group.

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