

Approved

Board of Directors of the Open Joint-Stock Company
«Verkhnyaya Salda Metallurgical Production Association»

Minutes of November 12, 2004. No.-

QUARTERLY REPORT

Open Joint-Stock Company « Verkhnyaya Salda Metallurgical Production Association »

Issuer code:

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For the 3rd quarter of 2004

Issuer location: 1, Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Region,
Russia

Postal address: 1, Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Region, Russia,
624760

The information contained in the present quarterly report is subject to disclosure in accordance
with legislation of the Russian Federation on securities

Director General of JSC VSMPO
Date November 12, 2004.

Signature V.V.Tetyukhin

Chief Accountant of JSC VSMPO
Date November 12, 2004

Signature T.V.Novosadova

Place for seal

Contact person: Shayakhmetova Tatyana Petrovna
Lead Economist for Financial Work

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Introduction

Full and abbreviated corporate name of the issuer:

Open joint-stock company « Verkhnyaya Salda Metallurgical
Production Association » (JSC VSMPO)
Joint stock company «VERKHNAJA SALDA METALLURGICAL PRODUCTION ASSOCIATION»
(«VSMPO»)

Location of the issuer:

1, Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Region, Russia
Postal address: 1, Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Region, Russia, 624760
Issuer's telephone numbers for contact:
Telephone: (34345) 2-13-60, 5-20-05
Fax: (34345) 2-47-36, 5-20-05
E-mail address: Shayahmetova@vsmo.ru
Web-site where the full text of the quarterly report is available: www.vsmo.ru

Basic Information on securities placed by the issuer:

Serial number of issue: 1

Category: ordinary
Type of securities: registered uncertificated
Number of securities: 3821195
Par value of one security of the issue: 1 ruble
Method of placement: acquisition at conversion into a joint-stock company
Period of placement: from 28.04.1993 to 04.06.1993
Price of placement: at par value

Serial number of issue: 2

Category: ordinary
Type of securities: registered uncertificated
Quantity of securities: 4056225
Par value of one security of the issue: 1 ruble
Method of placement: distribution among shareholders
Period of placement: from 13.04.1998 to 13.04.1998
Price of placement: at par value

Serial number of issue: 3

Category: ordinary
Type of securities: registered uncertificated
Number of securities: 2748180
Par value of one security of the issue: 1 ruble
Method of placement: by open subscription
Period of placement: from 10.06.1998 to 10.06.1998
Price of placement is determined in terms of nine ordinary registered shares
of the issuer two ordinary registered shares of the open joint-stock company
«AVISMA Titanium-Magnesium Works», Berezniki, Russia.

The present quarterly report contains assessments and forecasts produced by the authorized controls of the issuer concerning future events and/or actions, prospects for the development of the economic sector in which the issuer conducts its primary activities, and the performance results of the issuer including the issuer's plans and the probability of certain events and of certain actions. Investors should not fully rely on the assessment and forecasts of the issuer's controls because actual performance results of the issuer in the future can differ from the forecasts for various reasons. The acquisition of the issuer's securities is connected with the risks described in the present quarterly report.

I. Brief information on persons included into the controls of the Issuer, bank accounts, the auditor, the appraiser, on the financial consultant of the issuer, and on other persons who have signed the Quarterly Report

Persons Included in the management organs of the Issuer

Supervisory Board:

Bresht, Vyacheslav Iosifovich, b.1953
 Kelly, Dennis, b. 1946
 Monahan, John, b. 1945
 Melnikov, Nikolai Konstantinovich, b.1955
 Levin, Igor Vasilyevich, b.1950
 Malygin, Igor Leonidovich, b.1961
 Ol'khovik, Yevgeny Nikolayevich, b.1955

One-Person Executive Organ of the Issuer: Director-General
 Tetuykhin, Vladislav Valentinovich, b. 1932

No collegial executive organ is provided for by the Charter.

1.2. Information on the Bank Accounts of the Issuer

Type of account	Account number	Credit organization	Location of the credit organization
1	2	3	4
Settlement a/c Deposit a/c Transit a/c, USD Current a/c, USD Special transit a/c, USD Deposit a/c Current a/c, EUR Transit a/c, EUR	40702810100120001055 42101810100450015307 40702840900179001056 40702840800130001056 40702840500168001056 42101840100450015306 40702978700020001057 40702978400029001057	Open joint-stock company «Ural Commercial Bank for Foreign Trade» UVTB plc INN 6608000044 BIK 046577780 Corr.acc 30101810300000000780	620062 Ekaterinburg, Chebyshev Str. 4B
Settlement a/c	40702810300000002603	Open joint-stock company «Uraltransbank» JSC Uraltransbank INN 6608001305 BIK 046551767 Corr.acc 30101810200000000767	620067 Ekaterinburg Melkovskaya Str., 2b
Settlement a/c Deposit a/c	40702810100001125300 42101810500021125301	Closed joint-stock company «MDM-Bank-Ural» ZAO MDM-Bank-Ural INN 6608007402 BIK 046577870 Corr.acc 30101810100000000870	620075 Ekaterinburg Vostochnaya Str., 68

1	2	3	4
Settlement a/c Transit a/c, USD Current a/c, USD Special transit a/c, USD Current a/c, EUR Transit a/c, EUR Special transit a/c, EUR Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Corporate a/c, USD Special foreign currency a/c (frozen), USD	40702810400010004247 40702840300010004249 40702840000010004248 40702840200010110259 40702978500010221859 40702978900010221860 40702978200010221861 42108840900010004254 42108840300010004252 42108840500010004256 42108840200010004255 42108840600010004253 42108840300010148943 40702840100010312458 40702840000010277897 40702840700010277896 40702840000010368395	Closed joint-stock company INTERNATIONAL MOSCOW BANK ZAO IMB INN 7710030411 BIK 044583545 Corr.acc 30101810300000000545	Prechistenskaya Nab. 9, Moscow, 119034
Settlement a/c Transit a/c, USD Current a/c, USD Special transit a/c, USD	40702810000305659190 40702840500305659181 40702840600305659191 40702840400305659391	Open joint-stock company, commercial bank «EVROFINANCE MOSNARBANK» OAO CB «EVROFINANCE MOSNARBANK» INN 7703115760 BIK 044525204 Corr.acc 30101810900000000204	Novy Arbat 29, Moscow, 121099
Settlement a/c	4070281010000000262	CB «Natsionalnoye Kreditnoye Tovarishchestvo» CB «NKT» INN 7725009490 BIK 044585353 Corr.acc 30101810800000000353	1 st Krasnoselsky Pereulok 7/9, building 4, Moscow, 107140
Settlement a/c	4070281010000000500	Closed joint-stock company Dialog Bank INN BIK 044525938 Corr.acc 30101810700000000938	Staropansky Pereulok 4, Moscow, 103012
Settlement a/c Settlement a/c	40702810700061000291 40702810100061000257	Open joint-stock company «Uralpromstroibank» OAO Uralpromstroibank INN 6608001175 BIK 046577806 Corr.acc 30101810200000000806	Marshal Zhukov Str. 5, Ekaterinburg, 620219

1	2	3	4
Settlement a/c	40702810200630000025	Moscow municipal bank «Bank of Moscow», Ekaterinburg Branch INN 7702000406 BIK 046577965 Corr.acc 30101810400000000965	Marshal Zhukov Str. 10, Ekaterinburg, 620014
Settlement a/c	40702810100000000239	CB «Interkontinental» INN 7705020545 BIK 044583801 Corr.acc 30101810400000000801	1 st Shchipkovsky Pereulok 1, Moscow, 111093
Settlement a/c	40702810700000000240	CB «Mission-Bank» INN 7714015608 BIK 044579405 Corr.acc 30101810100000000405	Zorge Str. 24, Moscow, 125252
Settlement a/c	40702810200000005221	Rosdorbank INN 7718011918 BIK 044583666 Corr.acc 30101810700000000666	Stromynka Str. 11, Moscow, 107014
Settlement a/c	40702810000000000274	Limited liability company Commercial Bank «Koltso Urala» OOO CB «Koltso Urala» INN 6608001425 BIK 046577768 Corr.acc 30101810500000000768	Bolshakov Str. 109, Ekaterinburg, 620144
Settlement a/c	40702810800000000166	CB «Finvestbank» INN 7704113148 BIK 044583652 Corr.acc 30101810400000000652	Novopetrovskaya Str. 3, Moscow, 125239
Settlement a/c	40702810300000004621	Open joint-stock company, commercial bank for assistance to commerce and business OAO CB SKB-Bank INN 6608003052 BIK 046577756 Corr.acc 30101810800000000756	Kuibyshev Str. 75, Ekaterinburg, 620219
Settlement a/c Transit a/c, USD Current a/c, USD Special transit a/c, USD Current a/c, EUR Transit a/c, EUR Special transit a/c, EUR	40702810602800000042 40702840500000100018 40702840600000000018 40702840400000200018 40702978728000000480 40702978628000100480 40702978528000200480	Open joint-stock company Foreign Trade Bank OAO Vneshtorgbank INN 7702070139 BIK 046577952 Corr.acc 30101810400000000952	Stepan Razin Str. Ekaterinburg, 620142

1	2	3	4
Settlement a/c Settlement a/c Settlement a/c Settlement a/c Budget a/c Budget a/c Transit a/c, USD Current a/c, USD Special transit a/c, USD Current a/c, EUR Transit a/c, EUR Special transit a/c, EUR	40702810116150100055 40702810116150100123 40703810216150100035 40702810216150100463 40404810016150030002 40404810316150030003 40702840416150200007 40702840516150100007 40702840316150300007 40702978116150100007 40702978016150200007 40702978916150300007	Ural Bank of Sberbank of Russia, Verkhnyaya Salda Branch No. 7169 INN 7707083893 BIK 046577674 Corr.acc 30101810500000000674	K.Marx Str. 5, Verkhnyaya Salda, 624760
Transit a/c, USD Current a/c, USD Special transit a/c, USD	40702840116030200223 40702840216030100223 40702840016030300223	Ural Bank of Sberbank of Russia INN 7707083893 BIK 046577674 Corr.acc 30101810500000000674	Moskovskaya Str. 11, Ekaterinburg, 620014
Clearing account of participants of settlement of accounts	30218810600000000157 30214810400000000157	ZAO NKO of Ural Clearing Chamber INN 6659027340 BIK 046577301 Corr.acc 30103810800000000301	Office 4, Clara Zetkin Str. 4, Ekaterinburg, 620075
Settlement a/c	40702810000020007575	Branch of closed joint-stock company «CB GUTA-Bank» Branch of ZAO CB «GUTA-Bank» INN 7710353606 BIK 046568905 Corr.acc 30101810400000000905	Lenin Str. 27, Ekaterinburg, 620014
Settlement a/c	40702810401010000639	Open joint-stock company «VUZ-Bank» OAO VUZ-Bank» INN 66080074731 BIK 046577781 Corr.acc 30101810600000000781	8 Marta Str. 63, Ekaterinburg, 620219
Settlement a/c Deposit a/c Transit a/c, USD Current a/c, USD Special transit a/c, USD Current a/c, EUR Transit a/c, EUR Special transit a/c, EUR Overdraft a/c, USD Deposit a/c, USD Deposit a/c, EUR	40702810200700916014 42102810803700916064 40702840300700916049 40702840000700916006 40702840300700916065 40702978600700916022 40702978400700916057 40702978400700916073 45018408017009160002 42102840103700916048 42102978203700916056	Closed joint-stock company CB «Citibank» INN 7710401987 BIK 044525202 Corr.acc 30101810300000000202	Gashek Str. 8-10, Moscow, 125047

1	2	3	4
Settlement a/c Overdraft a/c Deposit a/c Deposit a/c Transit a/c, USD Current a/c, USD Special transit a/c, USD Current a/c, EUR Transit a/c, EUR Special transit a/c, EUR Overdraft a/c, USD Overdraft a/c, EUR Deposit a/c, USD Deposit a/c, USD	40702810100020009977 45201810800020009977 42103810600020009977 42102810300020009977 40702840900025009977 40702840400020009977 40702840200026009977 40702978000020009977 40702978500025009977 40702978800026009977 45201840100020009977 45201978700020009977 42103840900020009977 42102840600020009977	Closed joint-stock company «Commercial and Investment Bank « Calion Rusbank», Moscow Branch INN 7831000612 BIK 044583843 Corr.acc 30101810400000000843	Bolshoi Zlatoustovsky Pereulok 1, building 6, Moscow, 101000
Settlement a/c Transit a/c, USD Special transit a/c, USD	40702810200001402257 40702840200000402257 40702840400004402257	Closed joint-stock company «Reiffeisenbank Austria» ZAO «Reiffeisenbank Austria» BIK 044525700 INN 7744000302 Corr.acc 30101810200000000700	Troitskaya Str. 17/1, Moscow, 129090
Settlement a/c Current a/c, USD Transit a/c, USD Special transit a/c, USD	40702810800000012914 40702840100000012914 40702840000003012914 40702840700003312914	Open joint-stock company, commercial bank «Rosbank» OAO CB «Rosbank» BIK 044525256 INN 7730060164 Corr.acc 30101810000000000256	Mashi Poryvayevoi Str. 11, Mosow, 107078
Settlement a/c	40702810400060002098	Open joint-stock company «Alfa-Bank», «Ekaterinburgsky» Branch OAO «Alfa-Bank» « Ekaterinburgsky » branch INN 7728168971 BIK 046577964 Corr.acc 30101810100000000964	Lenin Str. 99-a, Ekaterinburg, 620062

1.3. Information on the auditor of the issuer

Full and abbreviated corporate names:

Closed joint-stock company «Analytic Express»

ZAO Analytic Express

Location: Building 2, 3 Gazetny Per., Moscow, 103918

Telephone number: (095) 229-8484, Fax (095) 229-3832

E-mail address: analitik@iet.ru

License No. to conduct audit activity: E 005434

Date of issue: Order of the Ministry of Finance of the Russian Federation dated 9.12.2003 No.387

License effective for 5 years

Agency which issued the above license: Ministry of Finance of the Russian Federation

Fiscal years for which the auditor has carried independent audits of accounting practices and the financial reports of the issuer: since 1994.

Factors which can influence the independence of the auditor of issuer, none.

Procedure for appointing the auditor of the issuer: general meeting of shareholders appoints the auditor of the issuer.

Work performed by the auditor within the framework of special auditor tasks:

- Development of the new chart of book keeping accounts of JSC VSMPO at required level of analytic work for drawing up financial reports and tax returns;
- Introduction of the developed chart of book keeping accounts at the company;
- Documentary of the results of development work as an appendix to the order on the accounting policy at JSC VSMPO for 2002.

Vested interests relating the auditor (officials of the auditor) to the issuer

(officials of the issuer), none:

- There are no participatory shares of the auditor (officials of the auditor) in the charter capital of the issuer;
- the issuer has not given any loan funds to the auditor (officials of the auditor);
- there are no close business relations (participation in the promotion of products (services) of the issuer, participation in joint enterprise activities, etc.), and there are no blood relations;
- Officials of the issuer being simultaneously officials of the auditor, none.

The auditor's commission is determined by the Board of Directors.

Payment for auditor services is made as follows:

50 % of the fee is transferred to the settlement account of the auditor within 30 days from the date of the beginning of work, the remaining sum of 50 % of the price of work is transferred to the settlement account of the auditor within three days after the signing of an acceptance/transfer report of the auditor's conclusion and the auditor's written report. There are no deferred or overdue payments for the services provided by the auditor.

1.4. Information on the appraiser of the issuer

The issuer has not involved any appraiser (appraisers).

1.5. Information on the consultants of the issuer

Financial consultant in the securities market providing corresponding services to the issuer based on a contract and other persons providing consultancy services to the issuer in connection with the emission off securities and who have signed the quarterly report and the last registered prospectus of securities which are in circulation, none.

1.6. Information on other persons who signed the quarterly report

Other persons who signed this quarterly report and not named in the previous items of this section, none.

II. Basic Information on the financial and economic status of the issuer

2.1. Financial and economic performance indicators of the issuer

Indicators describing the financial status of the issuer:

Name of indicator	Recommended calculation method	1999	2000	2001	2002	2002, using 2003 methodology.	2003	2004, as of 01.04	2004, as of 01.07	2004, as of 01.10	Result of analysis
Net assets of the issuer, ,000 Rb.	According to procedure established by the Ministry of Finance of the Russian Federation and the Federal Commission for joint-stock companies	2 260 389	2 957 739	4 023 284	5 248 116	5 615 354	6 894 976	7 386 353	7 500 399	7 767 451	
Ratio of total liabilities to capital and reserves, %	(Long-term liabilities at end of reporting period + short-term liabilities at end of reporting period) / Capital and reserves at end of reporting period x 100	46.2	52.2	41.2	44.6	44.6	45.9	43.7	48.3	52.9	In 2003 and the 9 months of 2004 Company's ratio as compared with 2002 and 2003 has decreased, i.e. borrowings don't exceed own funds.
Ratio of total short-term liabilities to capital and reserves, %	Short-term liabilities at end of reporting period / Capital and reserves at end of reporting period x 100	45.6	52.0	41.2	44.6	44.6	45.8	43.5	48.0	52.7	Ratio does not exceed 100, positive factor
Debt repayment cover, ,000 Rb.	(Net profit for reporting period + depreciation for reporting period - Dividends)/(Liabilities repayable in reporting period + Interest payable in reporting period)	0.91	0.58	0.88	0.60	0.60	0.13	0.15	0.17	0.24	
Overdue debts, %	Overdue debt at end of reporting period / (Long-term liabilities at end of reporting period + Short-term liabilities at end of reporting period) x 100	51.3	39.4	39.8	13.9	13.9	4.0	9.8	6.6	9.9	Negative trend towards increase of overdue debts, i.e. during the 9 months of 2004 as compared with 2003 this indicator has

											increased.
Net assets turnover, times	Sales of goods, products, services less value added tax, excises and other taxes and compulsory payments / net assets	1.5	1.6	1.8	1.7	1.6	0.3	0.3	0.7	1.0	This indicator for the current year is higher than in 2003, i.e. return on each unit of assets employed has increased.
Turnover of accounts payable, times	Cost of sold goods, products, services less commercial and administration costs /accounts payable at end of reporting period	1.8	2.3	3.6	4.1	4.1	0.8	1.0	2.2	3.0	
Turnover of accounts receivable, times	Proceeds from sales of goods, products, services less value added tax, excises and other taxes and compulsory payments / (accounts receivable at end of reporting period – debts of participants (promoters) in terms of contribution to charter capital at end of reporting period)	7.4	9.1	8.0	5.2	5.2	1.1	1.3	2.4	3.3	Indicates that the volume of commercial credit given has increased
Proportion of profit tax in profit before tax, %	Tax on profit / profit before tax	26.7	34.6	33.3	31.9	31.9	26.5	26.1	27.3	27.3	

2.2. Market capitalization of the issuer

Provided is information on the market capitalization of the issuer over the last 5 complete financial years with indication of information in market capitalization on the final date of each financial year and the final date of the last complete reporting period.

As at 01.01.2000:

weighted average price of one share \$ 7,03

market capitalization of the issuer \$ 83`010`981

Description of the method used for estimating issuer's market capitalization: estimation by the cost of issuer's net assets.

As at 01.01.2001:

weighted average price of one share \$ 8,90

market capitalization of the issuer \$ 105`073`471

Description of the method used for estimating issuer's market capitalization: estimation by the cost of issuer's net assets.

As at 01.01.2002:

weighted average price of one share \$ 11,31

market capitalization of the issuer \$ 133`525`950

Description of the method used for estimating issuer's market capitalization: estimation by the cost of issuer's net assets.

As at 01.01.2003:

weighted average price of one share \$ 15,54

market capitalization of the issuer \$ 165`121`824

Description of the method used for estimating issuer's market capitalization: estimation by the cost of issuer's net assets.

As at 01.01.2004:

weighted average price of one share \$ 28,46

market capitalization of the issuer \$ 302`404`576

Description of the method used for determining issuer's market capitalization:

market capitalization is estimated as a product of the number of shares of corresponding category by the weighted average price of one share of this category calculated over 10 largest transactions accomplished through a dealer in the securities market over the three months preceding the month which is the end of the last reporting quarter.

As at 01.10.2004:

weighted average price of one share \$ 76,89

market capitalization of the issuer \$ 817`002`384

Description of the method used for determining issuer's market capitalization:

market capitalization is estimated as a product of the number of shares of corresponding category by the weighted average price of one share of this category calculated over 10 largest transactions accomplished through a dealer in the securities market in the month preceding the month which is the end of the last reporting quarter.

2.3. Issuer liabilities

2.3.1. Accounts payable

	1999	2000	2 001	2002	2002, using 2003 methodology	2003	2004, as of 1.04	2004, as of 1.07	2004, as of 1.10
1. Accounts payable, total	1043267	1542867	1739527	2505881	2505881	3167961	3227283	3619148	4111400
Including:									
- long-term liabilities	13 271	4 335	455	0	0	12 415	14 637	16 969	18 906
- borrowings	98 302	422 964	593 615	1 319 722	1 319 722	1 694 902	1 599 984	1 428 052	1 432 704
- accounts payable	911 484	1 115 568	1 137 142	1 185 964	1 185 964	1 446 225	1 541 675	1 620 608	1 807 570
- other debts	20 210	0	8 315	195	195	14 419	70 987	553 519	852 220
2. Overdue accounts payable	535 174	608 228	692 330	349 007	349 007	126 500	317 161	237 166	405 868
Including:									
- long-term liabilities	-	-	-	-	-	-	-	-	-
- short-term liabilities	-	-	-	-	-	-	-	-	-
- accounts payable	535 174	608 228	692 330	349 007	349 007	126 500	317 161	237 166	405 868
Of these									
* debts to State extra-budgetary funds	-	-	-	-	-	-	-	-	-
* debts to the budget	-	-	-	-	-	-	-	-	-
3. Borrowings, total	111573	427299	594070	1319722	1 319 722	1 707 317	1 614 621	1 445 021	1 451 610

of these									
* long-term borrowings	13271	4335	455	0	In accordance with Order of the RF Ministry of Finance dated 22 July 2003 No. 67H "On Forms of Accounting Reports of Organizations ", starting from 2003 this information is not included in accounting reports.				
* short-term borrowings	98302	422964	593615	1319722					
4. Loans, total	35347	414447	451615	1227715					
Of these:									
* credits from banks due in more than 12 months after reporting date	0	0	0	0					
* credits from banks due in more than 12 months after reporting date	35 347	414 447	451 615	1 227 715					
5. Borrowings, total	76 226	12 852	142 455	92 007					
of these:									
* borrowings due in more than 12 months after reporting date	13 271	4 335	455	0					
* borrowings due in more than 12 months after reporting date	62 955	8 517	142 000	92 007					
* deferred tax	0	0	0	0	0	12 415	14 637		
6. Bond debt	-	-	-	-	-	-	-	-	-
7. Other accounts payable, total	20 210	0	8 315	195	195	14 419	70 987	553519	852220
Of these:									
* other long-term obligations	0	0	0	0	0	0	0	0	0
* participants (promoters) in terms of income payment	0	0	0	0	0	0	0	0	94 781

* other short-term liabilities	20 210	0	8 315	195	195	14 419	70 987	553 519	757 439
8. Accounts payable	321078	288061	344356	317641	1 185 964	1 446 225	1 541 675	1 620 608	1 807 570
Of these:									
* suppliers and contractors	292 704	255 025	281 320	299 437	317 641	469 494	404 332	448 739	456 400
* bills payable	28 374	33 036	63 036	18 204	0	0	0	1 986	0
9. Debt to affiliated persons	134 138	214 015	188 712	413 292	413 292	399 582	471 045	359 956	410 632
Of these:									
* subsidiaries and dependent companies	0	0	0	0	0	0	0	0	0
* payroll	201	804	2 181	1 998	1 998	2 213	1 711	1 986	1 397
* taxes and duties	-	-	-	-	385 366	354 067	432 863	323 485	373 164
* State extra-budgetary funds	26 864	31 706	26 551	25 928	25 928	43 302	36 471	34 485	36 071
* the budget	107 073	181 505	159 980	385 366	-	-	-	-	-
10. Other accounts payable	456 268	613 492	604 074	455 031	455 031	577 149	666 298	811 913	940 538
Of these:									
* prepayments received	166 649	157 031	209 838	136 887	-	-	-	-	-
* other creditors	289 619	456 461	394 236	318 144	455 031	577 149	666 298	811 913	940 538
Total	1043267	1542867	1739527	2 505 881	2 505 881	3 167 961	3 227 283	3 619 148	4 111 400

Accounts Payable by Due Date as of 01.10.2004

Name of account payable	Due date					
	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 days to 1 year	More than 1 year
Short-term and long-term liabilities, total, ,000 Rb.	2 479 366	11 108	442 936	882 237	295 753	0
Accounts payable, total, ,000 Rb.	1 564 049			243 521		
Including:						
Suppliers and contractors, ,000 Rb.	170 303	42 576		243 521		
Bill payable, ,000 Rb.						
Affiliated persons of the issuer, ,000 Rb.						
Salaries and wages,,000 Rb.	1 397					
Debt to the budget and extra-budgetary funds, ,000 Rb.	36 071					
Taxes and duties,,000 Rb.	373 164					
Other accounts payable, ,000 Rb.	940 538					
Other liabilities, ,000 Rb.	852 220					
Borrowings, ,000 Rb.	63 097	11 108	442 936	638 716	295 753	
including:						
Credits, total, ,000 Rb.		11 108	442 936	638 716	295 753	
Loans, total, '000 Rb.						
Of these:						
Bonded debts, ,000 Rb.						
Other liabilities, ,000 Rb.						
Of accounts payable – overdue accounts payable, total, ,000 Rb.	129 878	32 469	0	243 521	0	0
Total accounts payable, ,000 Rb.	129 878	32 469	0	243 521	0	0
Including,						
- the budget and extrabudgetary funds, ,000 Rb.						

- the budget and funds, ,000 Rb.	0					
- suppliers and contractors, ,000 Rb.	129 878	32 469		243 521		
Overdue credits, ,000 Rb.						
Overdue loans, ,000 Rb.						
Total,,000 Rb.	2 479 366	11 108	442 936	882 237	295 753	0

Creditors the debt to each of which amounts to not less than 10 percent of total debt:

No such creditors.

2.3.2. Credit history of the issuer

The information for this item is not presented because the total principal debt with regard to each of the credit contracts and loan contracts amounts to less than 10 percent of the issuer's net assets.

2.3.3. Obligations of the issuer from the security provided to third parties

Obligations of the issuer from the security provided to third parties, none.

2.3.4. Other obligations of the issuer

There are no other obligations.

2.4. Purpose of issue and intended usage of resources raised by placing emission securities

Serial number of the share issue: 3

Category: ordinary

Form of securities: registered uncertificated

Number of securities in issue: 3`492`000

Par-value of one security in the issue: 1 ruble

Method placement: an open subscription

Period of placement: from 10.06.1998 to 10.06.1998

The price of placement is determined in terms of two ordinary registered shares of the open joint-stock company AVISMA Titanium and Magnesium Works, Berezniki, Perm Oblast, Russia for nine ordinary registered shares of the issuer.

Purpose of issue and usage of the funds: to increase the charter capital

2.5. Risks connected with acquisition of placed emission securities

A detailed analysis of the risk factors connected with the acquisition of the placed emission securities is presented below,

specifically:

sectoral risks,

country and regional risks,

financial risks,

legal risks,

risks connected with the issuer's activities.

2.5.1. Sectoral risks

The main consumers of VSMPO's titanium products are companies in aerospace industry, power engineering, chemical mechanical engineering, oil and gas recovery, nonconventional consumers, mainly manufacturers of sports goods, etc. Each of the above industries has its own tendencies of development, and therefore it is reasonable to analyze them separately.

About 65 percent of VSMPO's output is intended for use in aerospace industry, and therefore the state of affairs in this sector of the Russian and world economy has a substantial influence on the technological and economic indicators of the Association. The aerospace sector of the world market features a cyclic character of development with a period of about 4 years, and the world titanium market demonstrates a similar pattern. It should be noted, though, that in recent years these markets have been affected by the 1998 Asian financial crisis and the terrorist attack on 11 September 2001 in the USA. Nevertheless, the longer term perspective is constant growth in the consumption of titanium in this sector of the economy, and no alternative replacement for titanium alloys is expected in the foreseeable future.

Power engineering, and first of all the nuclear power sector is now a large enough consumer of titanium alloys, mainly for heat-exchange systems, particularly those employed at nuclear power stations using sea water. There is a large potential demand for titanium alloys in power installations being developed which use the water temperature difference between the surface and the depths of the world ocean.

Chemical industry employs the unique anticorrosive properties of titanium alloys and is now a stable and perspective consumer of these materials with their steadily growing use in this sector.

The prospecting of energy carriers (oil, gas, gas condensate) has been moving in recent years towards the sea shelf. Titanium alloys are practically an ideal structural material for offshore drilling and extracting platforms, riser pipes and pipeline systems considering that titanium and its alloys have absolute corrosion resistance to sea water.

Over the last five to seven years a significant volume of low-grade titanium alloys (up to five thousand tonnes a year) has been used for the manufacture of golf-club heads. Even if a replacement is found to titanium alloys in this area in the near future, there will be significant potential markets remaining for the use of titanium alloys in the manufacture of goods for sports and leisure: bicycles, hiking and climbing equipment, manual tools, etc.

On the whole, industrial development does not assume any reduction in the use of titanium alloys, and risks here are minimal.

From the viewpoint of fluctuations in the world prices for raw and energy materials, titanium is not an exception from the general array of metals. In terms of prevalence in the nature, titanium occupies the fourth place among structural materials (after aluminum, magnesium and iron), and considerable stocks of raw materials have been discovered. Considering, therefore, that the manufacture of metal titanium consumes only about 5 % of the extracted raw material (the rest of the output is used for manufacturing dyes on the basis of titanium dioxide), risks associated with a shortage of this raw material and any rise in prices for it virtually do not exist.

Risks associated with decisions of other countries to impose protective duties or country quotas on import are present in the USA only, which consumes 40 % of the VSMPO's titanium exports. Moreover, the initiatives of the competitors of VSMPO in the US demanding the introduction of such protective measures have not been supported by the US industry and governmental agencies and have not been implemented.

Unfortunately, for political reasons during his election campaign, on September 7, 2004, George Bush, the President of the United States, has signed an Order on cessation in 60 days period (from November 6, 2004) of the GSP treatment for the Russian wrought titanium. It means that starting from that date an import duty in the amount from 5,5% (die forging) and up to 15% (bar, sheet, plate, tube) will be imposed on VSMPO products. This decision won't produce a significant detrimental effect on VSMPO business in the US, as most of VSMPO products are supplied to the aerospace companies (Boeing, General Electric Aircraft Engines, Pratt & Whitney, Perryman, Dynamet), which export the majority of their products and can make up for the import duty using TIB system.

2.5.2. Country and regional risks

Political (within Russia) risks with regard to collaborating with VSMPO are minimal because:

- the Association is the main supplier of metallurgical semifinished titanium and aluminum products for aircraft and rocket production and the key economic sectors of the Russian Federation, and therefore it is supported by the regional and federal authorities irrespective of their political orientation;

- the Association exports about 70 % of its products for use in high technology industries, which is perceived and supported at the regional and federal levels as departure from the raw-material orientation of exports in the Russian Federation;

- the Association is one of the largest exporters in Sverdlovsk Oblast, a major taxpayer in the region, not to mention the town of Verkhnyaya Salda, and it is therefore supported by the regional and municipal authorities;

- in the rating compiled by Russian industrial analysts based on the performance results for 2003, VSMPO-AVISMA Group occupies the 121st place among the top 400 enterprises of the Russian Federation in terms of production volumes, at this VSMPO occupies the 30th place and AVISMA – the 96th place among the top 200 enterprises of the Russian Federation in terms of capitalization;

- in the rating compiled by Russian industrial analysts based on the performance results for 2002, the Association occupies the 46th place among the top 1000 enterprises of the Russian Federation;

- for the reasons mentioned above, there is no risk de-privatization of the company.

Political (international) risks associated with dealing with VSMPO are minimal for the following reasons:

- The Russian Federation conducts a balanced foreign policy directed at creating a multipolar world, including the concept of mutually advantageous, restriction-free trade with all countries which do not violate the Charter of the United Nations, and therefore VSMPO as a Russian company is not subject to any discrimination in its export activities;

- VSMPO has had long-term and developing relations with the leading aerospace companies around the world such as the Boeing, EADS, General Electric, Rolls Royce, Pratt & Whitney, Snecma, General Electric and others, which guarantees support for the Association from governmental agencies and a positive image in all countries;

- VSMPO is fully integrated into the world economy and meets the generally accepted international standards with regard to its performance indicators.

Production risks:

a) the raw-material base: the manufacture of sponge titanium is geographically close to the smelting facilities (at a distance of about 600 km); there is railway communication and motorways which ensure uninterrupted delivery of raw materials in contrast to the supply of sponge titanium, for example, to the US from Japan or Kazakhstan. Besides, integration of VSMPO and AVISMA into a single corporation is planned for 2004 that will ensure stable deliveries of raw materials to VSMPO.

б) Process potentialities: for each type of product VSMPO has several variants of manufacture, for example, ingot forging may be done using forging hammers, forging presses, or a radial forging machine, which guarantees that all orders are fulfilled even if separate pieces of equipment fail or may be overloaded.

в) Reserve production capacities: the equipment available at VSMPO is utilized to 40-:70 % of capacity, which allows orders to be fulfilled or changed towards increase in volume within minimum terms.

г) Raw material processing effectiveness: VSMPO, in contrast to the majority of titanium companies around the world is an integrated Supplier manufacturing all types of metallurgical semifinished

products from titanium alloys from raw ore materials. It allows VSMPO to influence the duration of the production cycle, price parameters and to bear full responsibility for the quality of its products.

д) Diversification: VSMPO has tool-making, repair, power (water, vapor, compressed air) and machine-building facilities, which provides independence from subsuppliers and an opportunity to provide Customers with not only rolled metal products of all types but also simple finished equipment from titanium alloys (heat-exchangers, containers, fans, pumps, etc.). Currently VSMPO is establishing machining facilities for rough machining of die forgings, and in the future – for production of finished parts for aircraft components and assemblies. It will allow VSMPO's end Customers to reduce the number of subcontractors and items production cycle.

Besides, except for titanium products, VSMPO possesses and plans to expand in the future its production capacities for manufacture of semi-finished products from aluminum and magnesium alloys, high-strength steels and heat-resistant nickel based alloys. This will allow Customers to reduce the number of subcontractors and production certification costs. At this VSMPO's reputation as a supplier of a number of complete value-added products from different materials will be significantly increased.

Human resource risks:

a) VSMPO is fully staffed because it is located in a small town where there are no other large enterprises; it is a mono-company town (meeting the concept of "plant-town"); in contrast to the US and the western countries, there is no staff migration in Russia for economic reasons, and the tradition is to live settled at one place.

б) There is no problem with staff rotation for age reasons because the staff average age at VSMPO is 40 years, and the demographic situation in the town of Verkhnyaya Salda allows the company to compensate for staff retiring upon reaching the pension age.

в) There is no problem with the supply of workers and technical staff at VSMPO because the town has a technical lyceum and a technical (aero-metallurgical) college most of the graduates of which find employment at VSMPO.

г) There is no problem with the provision of engineering staff because the town of Verkhnyaya Salda has a branch of the Ural State Technical University, and school leavers are sent higher education institutions where they receive education at the expense of VSMPO with the obligation to come back to work at VSMPO, and graduates from the leading universities of the Russian Federation are invited to come to work at the company. As of October 1, 2004 VSMPO employs 538 young specialists (under the age of 30) with a higher engineering background.

д) From the viewpoint of staffing stability it should be noted that in the Urals where VSMPO is located, there are family traditions of working at the same enterprise, and there is a number of dynasties with several generations of the same family working at VSMPO.

е) Problems with strikes and labor conflicts at VSMPO, in contrast to, for example, TIMET, RMI, Albert Duval and others which confronted such difficulties in 2000-2004 with detrimental effects for their Customers, are excluded for the following main reasons:

- there is a trade union at VSMPO with which a Collective Agreement has been concluded and is regularly reviewed, and no frictions have ever occurred at concluding the Agreement;

- the level of pay at VSMPO is much higher than the average wages across the Russian Federation and in Sverdlovsk Oblast;

- the average wage is constantly increased to ensure that it is higher than the rate of inflation in the Russian Federation, which raises living standards of those working for VSMPO;

- VSMPO pursues a social policy directed at supporting low-income groups of the population, including pensioners and former members of staff;

- the staff and pensioners of VSMPO have access to highly skilled health services: there is a polyclinic, a diagnostic medical center where all the staff of the Association are annually screened, three health rehabilitation centers for the staff and pensioners, and the workshops have health centers: sports halls with the necessary equipment for sports and rest, and saunas;

- VSMPO has kept and continues to fund and develop social care facilities as part of its tangible assets, including a community center, sports complexes, libraries, country holiday homes for children to stay during vacations and for worker and pensioners at other times, etc.

Natural conditions:

VSMPO and AVISMA have their enterprise located on the border between Europe and Asia where natural (atmospheric, seismic, geological) disasters such as storms, typhoons, tornadoes, earthquakes, floods, etc., are an exclusion in contrast to the titanium companies in the US and Japan.

VSMPO is well placed in terms of stable power supply at the present time and in the near future, including:

- Sverdlovsk Oblast is abundant in electric energy and no problems arise with its supply;
- VSMPO is located in the area of the main Russian gas pipelines, close to their origin (the sources of gas), and therefore no problems arise in terms of getting gas at the required pressure and the input into the Association's system and receiving the required volume of gas;
- in terms of heat, vapor, compressed air, drinking and process water VSMPO has its own plants and does not experience any problems with these energy carriers;
- VSMPO receives sufficient quotas from government authorities for consumption of drinking and process water, discharge of waste water and air (after appropriate cleaning in accordance with the applicable sanitary standards) into aquatic and air environment and disposition of solid wastes to the special waste burial area.

2.5.3. Financial risks

The activities of any export-oriented Russian company is associated with financial risks.

The main financial risks are: market risks and currency risks.

Currency risks arise when foreign currencies are involved in operations. The rate of exchange is influenced by trends in the economic development of the country and political situation from changes in the currency regulation policy to the extent of social tension in society.

The currency risk involves two components:

- Risks associated with changes in the exchange rate;
- Conversion risk.

Currency risks are present in all operations involving foreign currency because the company cannot influence these processes, and what remains is just to protect its interests by identifying risks at an early stage and limiting their possible consequences and losses.

It should be noted that for excluding **market risks** managers keep an eye on trends in prices in the world market because any lack of information concerning the behavior of the market leads to greater market risks and unavoidable losses.

There is, of course, an inflation risk. The company operates a significant production and financial cycle, which brings about inflationary profit and, therefore, experts draw up business plan allowing for inevitable inflation.

The financial stability of VSMPO is at a high level, which is proven to be true by the following arguments:

- profitability of sales: the company, in contrast to other comparable firms, for example, TIMET, is profitable, the profitability of the sales as at 01.01.2004 being 32,3 %;

- as at 01.01.2004 the accounts receivable of VSMPO exceed the accounts payable 1,4 times;
- the Company has been constantly increasing output, and sales increase 4,7 times against 1992, and in the second quarter of 2002 VSMPO ranked first in the world in terms of output of titanium alloy ingots and rolled products, leaving TIMET behind;
- VSMPO has shown an ability to survive in critical conditions of an economic recession: being a closed enterprise working for the defensive complex of the former USSR, it then experienced a 40-fold fall in total orders, and 10 years later it turned into an outstanding player in the world market of titanium, strengthening its positions every year;
- VSMPO has no unfriendly companies amongst its shareholders, and, therefore, the management of the company has an opportunity to plan the strategy and tactics of development in the interests of its customers;
- VSMPO's management is a team of like-minded focused on the development of the company.

2.5.4. Legal risks

Legal risks associated with changes in:

- Currency regulations
- Taxation legislation
- Customs control and duty regulations
- Requirements as to the licensing of the issuer's ordinary activity are currently not present.

2.5.5. Risks connected with the issuer's activities

The issuer has not participated in litigations which could affect and interfere substantially with the issuer's economic activities or which would infringe on the interests of third parties.

III. Detailed information on the issuer

3.1. Issuer creation and development history

3.1.1. Information on issuer's corporate name

Full and abbreviated name of the issuer:

Open joint-stock company «Verkhnyaya Salda Metallurgical Production Association» (JSC «VSMPO»)

Joint stock company «VERKHNAJA SALDA METALLURGICAL PRODUCTION ASSOCIATION» («VSMIPA»)

Previous full and abbreviated name of the issuer:

Open-type joint-stock company «Verkhnyaya Salda Metallurgical Production Association» (AOOT «VSMPO»)

Legal entity state registration number: 162 II-AИ

Date of state registration: 18.02.1993

Name of the agency which effectuated State registration: the administration of the municipal formation «Verkhnyaya Salda District».

Date of and grounds for changing the name of the issuer: Resolution of the general meeting of shareholders dated 14.06.1996 and Resolution of the Head of Verkhnyaya Salda administration No. 250-д dated 26.06.1996

3.1.2. Information on the state registration of the issuer

Legal entity state registration number: 162 II-AИ

Date of state registration: 18.02.1993

Name of agency which effectuated state registration: head of administration of Verkhnyaya Salda, Sverdlovsk Oblast.

Main state registration number of legal entity: 1026600784011

Name of registration agency (in accordance with data indicated in the certificate of entry in the United State Register of Legal Entities concerning legal entity registered before 1 July 2002): Interdistrict inspection of the Ministry of Taxation of Russia No 3 for Sverdlovsk Oblast.

Data entry made: 11.07.2002

3.1.3. Information on foundation and development of the issuer

Date issuer established: 18.02.1993

Date till which the issuer will exist: the issuer has been established for an indefinite term.

Brief history of establishment and development of the issuer:

The predecessor factory of "VSMPO" was built in 1933 near Moscow; it was the Soviet Union's first manufacturer of aluminum parts for engines and aircraft. During the Great Patriotic War the factory was evacuated to Verkhnyaya Salda in Sverdlovsk Oblast.

In 1957, the first titanium ingot was smelted, and in 1958 full-scale manufacture of primary titanium began.

From 1957 to 1990 VSMPO increased output substantially because in those years the Association was the only supplier of titanium for Soviet aerospace and military industry.

In 1991 the output of titanium ingots at "VSMPO" exceeded by 50 % that in the US, Europe and Japan taken together.

In the beginning of the 1990s', in connection with a reduction of the military budget and a sharp reduction in demand for domestic airplanes on the part of civil aviation, the internal demand for titanium fell 20-30 times, and for aluminum 5-6 times, which put the Company on the verge of bankruptcy. The desire to keep the factory, which, in fact, was the only source of support for the town of 55,000 people with its high science and technology potential, the new management of "VSMPO" made a strategic decision to begin diversification and produce not only titanium for military purposes for the domestic market but also for export.

This task was complicated by the fact that the composition of titanium alloys made abroad differed from that used in the Russian aircraft industry.

New technologies were introduced, which allowed the company to produce titanium products of the quality that was required by foreign customers.

The facilities were reconstructed and new bays were set up main for finishing and control operations.

As a result, from 1993 to 1997 the Company managed to increase exports 6 times.

The main element of the strategy for accessing the international markets was a program of certification the Company's products with potential foreign buyers.

The Company also invested funds in the modernization of its production processes, specifically in a quality control system. The quality of VSMPO's products is confirmed by more than 120 certificates of quality, including certificates from the largest manufacturers of aircraft and their suppliers.

Today more than 68 % of the Company's titanium products are exported, mainly for use in aerospace industries in the US and Europe.

At present the Company is working on increasing the share of products with higher added cost in total output such as thin titanium sheets, welded thin-walled titanium pipes, die forgings.

Also, non-conventional lines of business have been set up, including building construction business, wheels, utensils, heat-exchanging titanium equipment, and gas-cleaning systems.

This has allowed the Company to keep the human resource potential, most engineers, designers, technologists and workers who are responsible for the town as well because it is a mono-company town, and also to keep all its industrial potential, all production capacities, to maintain them in absolute working condition and, moreover, to update them to a higher level of technological and qualitative requirements.

Overall objectives:

- Manufacture of products which meet the requirements and expectations of customers, corresponding international and national standards and compulsory requirements of supervisory agencies.

- Enhancement of the competitiveness of the products in international markets.

The mission of JSC VSMPO is the ensuring of the viability of the Company, preservation of the titanium industry in Russia, and integration into the world economy.

3.1.4. Contact information

Location of the issuer: 1 Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Oblast, Russia
 Location of the issuer's continuing executive body: 1 Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Oblast, Russia
 Postal address: 1 Parkovaya Str., Verkhnyaya Salda, 624760, Sverdlovsk Oblast, Russia
 Issuer's contact telephone, e-mail address:
 Telephone: (34345) 2-13-60, 5-20-05
 Fax: (34345) 2-47-36, 5-20-05
 E-mail address: Shayahmetova@vsmo.ru
 Web-site address: www.vsmo.ru

3.1.5. Taxpayer identification number

INN 6607000556

3.1.6. Branches and representations of the issuer

The issuer has no branches or representations.

3.2. Main economic activities of the issuer

3.2.1. Sectoral affiliation of the issuer

Codes of the main sectoral activities of the issuer in accordance with OKVED:

27.45
 27.53
 28.12
 28.22.1
 28.75.12
 45.21.1
 55.51
 51.70

3.2.2. Main economic activities of the issuer

The main type of economic activity of the Company is the manufacture of products from titanium alloys.

More detailed information is presented in item 3.2.3

	1999	2000	2001	2002	2003	2004, 1 st quarter	2004, 2 nd quarter	2004, 3 rd quarter
Total sales of titanium products, ,000 Rb.	2584651	3480655	6019441	6656904	6 731 795	1 871 152	2 134 173	2 188 303

Including exports, ,000 Rb.	1903620	2571894	4805518	4491934	4 138 730	1 197 344	1 457 470	1 507 944
Share of titanium product exports in total titanium product output, 000 rb, %	73.7	73.9	79.8	67.5	61.5	64.0	68.3	68.9
Share of titanium product exports by region, 000 Rb								
USA	No data	43.5	38.4	23.4	32.2	33.90	35.68	40.41
Germany		23.3	20	21.2	15.2	19.76	18.00	18.28
Japan		6.1	11.7	21.7	15.9	12.88	12.35	9.31
France		10.5	10.2	7.2	1.6	0.00	0	0.03
UK		No data				4.6	4.81	4.44
Taiwan					5.9	8.97	8.09	7.60
Switzerland					20,1	17.73	19.05	16.49

The factor of seasonal prevalence in the activity of the Company manifests itself only in the specificity of capital repair work involving the maintenance of the process equipment in working condition, and also modernization, reconstruction and updating of the technology, with most of the workload falling on the summer and autumn period.

3.2.3. Main products (works, services)

The Company's main type of activity is the manufacture of products from titanium alloys.

At the same time, VSMPO is a multidiscipline enterprise, being engaged in various activities listed in item 4 of the Company Charter.

The development of the Company is planned in two directions:

- improving the existing processes and facilities with the purpose of improving their quality and reducing specific material, financial and energy expenses on production;
- setting up new production facilities involving deeper processing of metallurgical raw material.

With regard to titanium rolled products, which is the main activity of the issuer, the intention is to keep the tendency towards increasing output:

- exports: by increasing supplies of rolled products for aviation applications;
- domestic market: by extending the range of application of titanium rolled products, primarily in thermal power engineering.

Name of indicator	1999	2000	2001	2002	2003	2004 1st quarter	2004 2 nd quarter	2004 3 rd quarter
Titanium product output, tones	9408	10248	15036	15286	15887.3	4700	5 173	5000
Yearly average price of manufacturing titanium products, ,000 Rb./t	356.7	386.6	433.6	465.1	440.8	431	447	447
Total sales (products, services) -,000 Rb.	3298051	4624299	7346341	8768747	8369.6	2344	2 706	2 831
Share of proceeds from titanium products in total proceeds, %	78.4	75.3	81.9	75.9	80.2	80.0	80.91	79.1
Corresponding price index, cumulative total, %	136.5	120.2	118.6	115.1	112	103.5		

The issuer's sales system concerning each of the specified types of products (works, services) as a percentage of sales of products (works, services).

Name of product (works, services)	Organization of sales of products (works, services)	1999	2000	2001	2002	2003	2004 1st quarter	2004 2 nd quarter	2004 3 rd quarter
Titanium products, total	Direct sales, %	99.9	99.6	99.0	99.1	100	100	100	100
	Own trading network, %	0.1	0.4	1.0	0.9	0	0	0	0

The structure of costs of the issuer involved in the manufacture and sale of each type of products (works, services) which account for not less than 10 percent of total proceeds from sale of products (works, services) under specified items as a percentage of total cost price.

Name of cost item	Reporting period
Raw and other materials, %	
Purchased components, semi-finished products, %	

Works and services of production character performed by external contractors, %	Separate accounting for cost by types of product (works, services) is not provided for by the Accounting Policy of the issuer	
Fuel, %		
Power, %		
Salaries and wages, %		
Interest on credits, %		
Rent, %		
Deductions for social needs, %		
Depreciation of fixed assets, %		
Tax included in production price, %		
Other costs (to be explained), % amortization of intangible assets, % rewards for innovation, % compulsory insurance payments, % representation expenses, % other, %		
Total: costs of manufacturing and selling of products (works, services) (cost price), %		100
Proceeds from selling products (works, services), %		

The accounting reports prepared and calculations performed and presented under this item of the Quarterly Report comply with the current Accounting Regulations approved by the Ministry of Finance.

3.2.4. Issuer's suppliers whose share amounts to 10 and more percent of total supplies of commodities and material assets, with indication of their share in total deliveries

Description of suppliers whose share amounts to 10 and more percent of total supplies of commodities and material assets is given in item 3.2.7 «Raw Materials».

3.2.5. Markets for issuer's products (works, services)

Commodity markets for the main (titanium) products are described in item 3.2.2

Consumers which account for a turnover of not less than 10 percent of issuer's total proceeds from sales of products (works, services), none.

3.2.6. Practices concerning the working capital and inventories

The specific nature of the Company's policy concerning the working capital follows from the features of its charter activities directed at production control and coordination, comprehensive development of the Company, and also at other activities aimed at ensuring the reliability and stability of its financial and economic condition.

In this connection the working capital policy of the Company consists in creating financial opportunities enabling systematic measures to provide for technical and technological conditions ensuring the operation of the production workshops by way of systematic accumulation of financial resources for the purposes of manufacture, modernization, technological renovation, major overhauls and diagnosis of the production capacities, and also for taking measures to ensure environmental safety.

The need for working capital is estimated on the basis of:

- estimates of the need for resources in accordance with approved business plan;
- estimates of the need for financing modernization, major overhaul and diagnosis of production capacities, and also for ensuring environmental safety on the basis of corresponding plans of activities.

Working capital is the most mobile part of Company's capital, which includes cash, inventories, debts of other enterprises (accounts receivable).

The notion "Current Assets" in estimations means working capital (section 2 on the assets side of the balance sheet).

The Association pursues a policy of escalating its working capital.

Name	Calculation method	1999	2000	2001	2002	2003	2004 as of 01.04	2004 as of 01.07	2004 as of 01.10
Inventory turnover ratio, turnover	Cost of sales (form 2 p. 20) / mean value of form 1 (p.210 + p. 220)	1.329	1.303	1.505	1.493	1.308	0.343	0.772	1.103
Inventory turnover, days	360 / turnover	271	276	239	241	275	265	118	82
Current assets turnover ratio, turnover	Cost of sales (form 2 p. 20) / mean value of form 1 p.290	0.968	1.019	1.122	0.959	0.846	0.238	0.533	0.767
Current assets turnover, days	360 / turnover	372	353	321	375	425	382	171	119

3.2.7. Raw material

The issuer's suppliers which account for not less than 10 percent of all supplies of commodities and material assets and their share in total supplies as of 1.10.2004.

Russian suppliers:

- Open joint-stock company «AVISMA Titanium and Magnesium Works», Berezniki, Perm Oblast. – 44.8 % - there were no changes in prices over the reporting year of 2003.

- Open joint-stock company «RUSAL Russian Aluminum Management», Moscow – 10.0 %.

Prices per tonne in US dollars net of VAT:

2003 - 1534, 1st quarter of 2004 - 1690, 2nd quarter of 2004 – 1690, 3rd quarter of 2004 - 1684.

- DP «Volnogorsk State Metallurgical Works» – 4,6 %.

Prices per tonne in US dollars net of VAT:

2003 – 100, 1st quarter of 2004 – 100, 2nd quarter of 2004 – 100, from September 1, 2004 - 93.

Import:

The issuer's suppliers which account for not less than 10 percent of all supplies of commodities and material assets and their shares in total supplies as at 1.10.04 – none.

3.2.8. Main competitors

The share of titanium rolled products by VSMPO and its main competitors in the world market

Company	Country	Sales in 2003, t	Share of the market, %%				
			1999	2000	2001	2002	2003
VSMPO	Russia	13930*	16	18	24	28	29
Timet	USA	12180*	27	28	27	22	25
ATI	USA	2680	8	9	9	9	6
RTI	USA	8370	22	22	19	18	17

* Sales include rolled products and ingots and slabs reduced to rolled-product weight;

** The remaining volume of rolled products to make up 100 % is manufactured by suppliers from Japan and other countries.

3.2.9. Information on availability of licenses

Number: TB 6476

Date of issue: 13.09.2002

Effective till: 13.09.2007

Issuing agency: Ministry of Press and Information of the Russian Federation

Types of activity: television broadcasting

Number: Б 302358

Date of issue: 25.09.1998

Effective till: 17.12.2004

Issuing agency: Department of RF Federal Security Service for Sverdlovsk Oblast

Types of activity: activities connected with the use of information which constitutes State secret

Number: Б 302766

Date of issue: 17.12.2001

Effective till: 17.12.2004

Issuing agency: Department of RF Federal Security Service for Sverdlovsk Oblast

Types of activity: implementation of measures and provision of services in the area of protection of State secrets

Number: 63-KA-1535

Date of issue: 23.11.2000

Effective till: 23.11.2005

Issuing agency: Ural Department of Gosgortekhnadzor of Russia

Types of activity: training of staff in the main trades for metallurgical industries and works

Number: 63-ПМ-000410

Date of issue: 06.02.2004

Effective till: 06.02.2009

Issuing agency: Ural Department of Gosgortekhnadzor of Russia

Types of activity: mine surveying (monitoring of the condition of mining leases and justification of their boundaries; keeping of mining graphic documentation; accounting and justification of volumes of mine workings)

Number: 63-KA-1462
Date of issue: 13.08.2001
Effective till: 13.08.2006
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: training of executive staff, specialists and workers for gas equipment

Number: 10509/910009
Date of issue: 14.03.2003
Effective till: 14.03.2006
Issuing agency: Nizhny Tagil Customs
Types of activity: for setting up a temporary storage warehouse

Number: 10509/0027
Date of issue: 23.10.2002
Effective till: 23.10.2005
Issuing agency: Nizhny Tagil Customs
Types of activity: for setting up a bonded warehouse

Number: CT-68
Date of issue: 18.01.2002
Effective till: 18.01.2007
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: erection of gas control points and installations for gas lines and gas equipment of industrial, agricultural enterprises companies providing maintenance services to public and residential buildings

Number: 63-ПП-1174
Date of issue: 4.09.2000
Effective till: 4.09.2005
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: design of metallurgical plants and projects

Number: Д 086713
Date of issue: 26.12.2001
Effective till: 26.12.2004
Issuing agency: State Committee for Building Construction and Housing and Utilities Complex
Types of activity: manufacture of building constructions and materials which have effect on the bearing capacity of buildings, structure and environment

Number: series ПТИ 72 No.071386
Date of issue: 24.12.2001
Effective till: 31.12.2004
Issuing agency: Sverdlovsk Division of Transport Inspection
Types of activity: road operations on automobile roads and road structures

Number: Б 813989
Date of issue: 16.08.2001
Effective till: 16.08.2006
Issuing agency: Sverdlovsk Oblast Licensing and Accreditation Commission for Health
Types of activity: pharmaceutical activity

Number: 63-ЭК-1532
Date of issue: 23.11.2000
Effective till: 23.11.2005
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: production of ferroalloys, special steels, alloys of nonferrous metals, sheet and high-quality rolled products, pipes

Number: 63-PT-1534
Date of issue: 23.11.2000
Effective till: 23.11.2005
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: repair of metallurgical units and equipment of metallurgical plants and projects

Number: 63-MT-1533
Date of issue: 23.11.2000
Effective till: 23.11.2005
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: installation (commissioning) of metallurgical units and equipment of metallurgical plants and projects

Number: 63-ЭК-874
Date of issue: 21.07.2000
Effective till: 21.07.2005
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: development of mineral deposits, extraction of minerals by open-pit method

Number: Г 626604 073
Date of issue: 10.10.2001
Effective till: 10.10.2004
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: purchasing, processing and realization of nonferrous metal scrap

Number: Г 626603 073
Date of issue: 10.10.2001
Effective till: 10.10.2004
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: purchasing, processing and realization of ferrous metal scrap

Number: Б 420448
Date of issue: 28.12.2001
Effective till: 28.12.2004
Issuing agency: RF Federal Service for Hydrometeorology and Environmental Monitoring
Types of activity: works and services in the field of hydrometeorology and related areas

Number: series ГСЭН-69 No.0001143
Date of issue: 12.11.2001
Effective till: 12.11.2004
Issuing agency: State Sanitary-Epidemiological Surveillance Service of Sverdlovsk Oblast
Types of activity: activities connected with human infectious disease pathogens

Number: CBE No.01256
Date of issue: 23.09.2002
Effective till: 1.07.2027
Issuing agency: Issuing agency: Main Department for Natural Resources and Environmental Protection of the Ministry of Natural Resources of Russia for Sverdlovsk Oblast
Types of activity: right to use subsurface resources

Number: CBE No.00330
Date of issue: 11.03.2002
Effective till: 11.03.2007
Issuing agency: Department of Natural Resources for the Ural Region
Types of activity: for water use

Number: Д 378805
Date of issue: 28.07.2003
Effective till: 27.06.2008
Issuing agency: Ministry of Power of the Russian Federation
Types of activity: storage of oil, gas and products of their processing

Number: PPC-63-00047
Date of issue: 7.07.2003
Effective till: 7.07.2008
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: Permit to manufacture and use vessels and devices under pressure according to the attached list of austenitic and carbonaceous steels, titanium and aluminum alloys

Number: series PЭA-P No.0118
Date of issue: 18.06.2003
Effective till: 31.12.2005
Issuing agency: Rosenergoatom Concern
Types of activity: Certificate of accreditation and entry in the Register of Potential Suppliers of Rosenergoatom Concern

Number: Э-6-031202-499
Date of issue: 12.03.2002
Effective till: 12.03.2005
Issuing agency: Russian Open Society "United Power Systems of Russia"
Types of activity: Certificate of accreditation for manufacture of plants for electric power industry

Number: YO-11-101-0774
Date of issue: 20.08.2002
Effective till: 1.10.2006
Issuing agency: Material and Technical Supplies Department of Gosatomnadzor of the Russian Federation
Types of activity: design of equipment for nuclear stations

Number: YO-12-115-0787
Date of issue: 12.09.2002
Effective till: 20.09.2007
Issuing agency: Material and Technical Supplies Department of Gosatomnadzor of the Russian Federation
Types of activity: manufacture of equipment for structures, complexes, installations with nuclear materials intended for manufacture, processing, transportation of nuclear fuel and nuclear materials

Number: 63-CT-68
Date of issue: 18.01.2002
Effective till: 18.01.2007
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: construction of gas control points and installations, gas equipment industrial and agricultural enterprises, companies providing maintenance services, and residential buildings
Number: YO-12-101-0786
Date of issue: 12.09.2002
Effective till: 20.09.2007
Issuing agency: Material and Technical Supplies Department of Gosatomnadzor of the Russian Federation
Types of activity: manufacturing of equipment for nuclear stations

Number: A 118095
Date of issue: 18.01.2002
Effective till: 18.01.2007
Issuing agency: Ural Department of Gosgortekhnadzor of Russia
Types of activity: construction of gas control points (installations), gas lines, gas equipment for industrial, agricultural enterprises, companies providing maintenance services, and residential buildings

Number: CBE 01114
Date of issue: 07.09.2001
Effective till: 31.12.2005
Issuing agency: Uralgeocom
Types of activity: the right to develop part of the peat deposit "Ozerskoye"

Number: 63-ЭХ-000543 (ЖХ)
Date of issue: 14.05.2004
Effective till: 14.05.2009
Issuing agency: Gosgortekhnadzor of Russia
Types of activity: operation of chemically hazardous production objects

Number: 63-ЭВ-000542 (ЖКМС)
Date of issue: 14.05.2004
Effective till: 14.05.2009
Issuing agency: Gosgortekhnadzor of Russia
Types of activity: operation of explosive production objects

Number: YO-12-106-0450/01
Date of issue: 04.05.2001
Effective till: 01.05.2007
Issuing agency: Material and Technical Supplies Department of Gosatomnadzor of the Russian Federation
Types of activity: manufacturing of the equipment for structures and complexes with industrial nuclear reactors as specified in the terms and conditions of the present license

3.2.10. Joint activities of the issuer

The issuer does not conduct joint activities with other organizations.
The issuer has no subsidiary companies set up using investments from third parties.

3.4. Plans of the issuer for the future

SMELTING AND FOUNDRY

Aspiring to keep the positions in global aerospace complex and to increase competitiveness in the market of titanium for aviation engines, and also to supply high quality metal to the Russian market, JSC VSMPO sets up capacities for smelting titanium alloy ingots of very high quality by establishing a bay of plasma-arc refining in a cold-hearth furnace. Hot tests of the furnace are now coming to an end. An automated system for monitoring and controlling titanium ingot melting processes has been created on the basis of Allen-Bradley equipment for 11 vacuum-arc furnaces.

Further on it is planned to re-equip 3 to 5 vacuum-arc furnaces annually with melting process monitoring and control systems.

The purpose of this project is to increase metal yield when remelting complex alloys, to ensure reproducibility of the process and to increase of explosion safety.

With the purpose of ensuring good quality of charge materials JSC VSMPO has concluded a contract for the manufacture and delivery of a magnetometric chip-scrap control installation. The plans provide for a substantial growth in the Company's own manufacture of alloying materials and expansion of the range of such products. The manufacturer has completed integration tests of the installation.

SHEET-ROLLING

The putting of rolled products to the world market and marketing studies have posed the following tasks for the experts of the Association concerning the manufacture of competitive products:

- plates and sheets of 6AL– 4V alloy for export aviation applications,
- sheets and strips from 0,5 to 2,0 mm thick technical-grade titanium for welded pipes and plate heat-exchangers.

A significant amount of work and investment has already been carried out in this direction. The greater part of the new imported adjustage equipment for polishing and cutting of coil has already been mounted and put into operation.

High-quality strips are in important topic for the Association also because the manufacture of thin-walled welded pipes is going to be expanded significantly. By way of developing sheet-rolling manufacture it is planned to reconstruct the following industrial bays:

- reconstruction of the "2000" hot rolling mill;
- creation of a strip profile adjustment and control system;
- creation of a "duo" skin-rolling mill based on one of the operating mills (for instance, "Bliss-2") for skin-rolling of coil up to 1300 mm wide with the mounting of additional equipment: unreeler, reel, coil storage;
- creation of a plant for coil annealing under tension in an inter gas atmosphere, including the following equipment: a welding machine with scissors, tension stations, a tension device before the reel, a floating reel. This project will enable the Company to exclude the occurrence of defects in the furnace and to obtain a densely wound, up to 0.5 mm thick non-telescopic coil. The manufacturer: Gertner, SKET, Mannesmann, Sunvig, ZMZ-Simag, Germany;
- contracts have been concluded for the delivery of special control equipment.

PRESS-FORGING

In connection with an increasing number of orders for the high quality press-forgings, JSC VSMPO has done a lot of work involving the reconstruction of the main and auxiliary facilities, including repairs and modernization of the presses; electric furnaces for heating long blanks with an automatic control system ensuring the required accuracy of heating have been put into operation.

A number of installations for immersion ultrasonic control of machined bars and billets from titanium alloys measuring up to 5000 mm in length have been made and put into operation, including the world's 4-th installation of multizoned ultrasonic control. Modern instruments and test machines have been purchased for metallurgical quality control of finished goods.

A range of die forgings for leading aircraft building firms in the world have been introduced, this line will remain a priority for VSMPO in the coming years. For developing the press-forging line of business

- major overhaul and modernization of the control system of the 6000 t forging press are under way;
- overhaul and modernization of the control system of the 3,000 t forging press is planned;
- the furnaces are being renovated with the replacement of electric heating furnaces with gas furnaces: currently 8 modern gas furnaces are being mounted, tested and adjusted;
- a rolling mill has been purchased and mounted for commissioning new types of products such as rolled rings from titanium and aluminum alloys and Inconels. A contract has been concluded for modernization of the ring rolling mill, which will allow the Company to increase output owing to the manufacture of shaped rings. Ring straightening equipment is being mounted;
- a bay has been set up for forging of ingots and billets based on a 2000 t hydraulic forging press, equipped with manipulators of 25 t and 12.5 t lifting power, furnaces and auxiliary equipment. Work is under way on developing a forging process for the "2000" complex;
- there are plans to set up a new manufacture for rough machining of die forgings from titanium alloys. Contracts have been concluded for the supply of machine tools.

PIPE PRODUCTION

At present VSMPO has implemented the 1st stage of the project for manufacturing welded pipes from titanium and stainless steels ranging in diameter from 10 to 40 mm.

With the purpose of increasing the output of pipes and extending the range of 30-114 mm products four more pipe-welding lines have been purchased, which are now being mounted and adjusted.

MANUFACTURE OF NONCONVENTIONAL GOODS

- Manufacture of kitchen utensils with a heat-distribution "sandwich" base from stainless steel. In 1991, JSC VSMPO began to manufacture household and kitchen utensils from stainless steel. In order to successfully compete with similar products by both Russian and international manufacturers it is essential to manufacture "sandwich" base utensils. The process engineering and design services have carried out research and design work to the manufacture of new products. For implementing the project the following equipment has been purchased and mounted:

- a base leveling installation,
- base soldering equipment,
- base machining equipment,
- "8П1е" grinding machines have been modernized.

The Company plans to further expand the manufacture of utensils from stainless steel by purchasing additional equipment.

- Manufacture of aluminum alloy disks for car wheels.

By way of developing this line with the purpose of extending the range and increasing output, specialized turning and milling machine tools have been purchased.

A rolling machine for making disks for car wheels by the rolling method has been purchased and is being mounted and tested.

- Manufacture of products from titanium and stainless steels for the needs of power and gas and petrochemical industries.

Within this line of activity for the purpose of extending the range of products and increasing output, the Company plans to purchase specialized equipment, including inspection facilities.

QUALITY ASSURANCE

In accordance with the program of JSC VSMPO in the field of quality and certification and the requirements of the auditors, and for enhancing the reliability of control operations and also with the purpose of replacing physically worn out and outdated equipment the Company plans to purchase quality control means for testing equipment products.

Blue etching and luminescent control bays have been set up, and a contract has been concluded for purchasing contemporary ultrasonic control equipment for disks.

3.5. Participation of the issuer in industrial, bank and financial groups, holdings, concerns and associations

The issuer does not participate in industrial, bank, financial groups, holdings, concerns and associations.

3.6. Subsidiaries and dependent companies of the issuer

Full and abbreviated corporate name:

«TIRUS HOLDING» Limited Liability Company («TIRUS HOLDING» LLC)

Location: Viktor Ambartsumyan Street 18, ap. 8, Yerevan, Armenia

Postal address: Viktor Ambartsumyan Street 18, ap. 8, Yerevan, 375033, Armenia,

Grounds for acknowledging the company as a subsidiary: dominant participation in the charter capital

Issuer's participatory share in charter capital of subsidiary: 100%

Proportion of ordinary shares in subsidiary which belong to issuer: 100%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Description of company's main line of business: holding activities.

Description of the role of such company in issuer's activity: holding activities.

Full and abbreviated corporate name:

Limited liability company «Tirshop» (OOO Tirshop)

Location: Engels Str. 36, Verkhnyaya Salda, Sverdlovsk Oblast, Russia.

Postal address: Engels Str. 36, Verkhnyaya Salda, Sverdlovsk Oblast, 624760.

Grounds for acknowledging the company as a subsidiary: dominant participation in the charter capital

Issuer's participatory share in charter capital of subsidiary: 70%

Proportion of ordinary shares in subsidiary which belong to issuer: 70%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Description of company's main line of business: retail and wholesale realization of consumer goods.

Description of the role of such company in issuer's activity: retail and wholesale realization of consumer goods.

Full and abbreviated corporate name:

**Closed joint-stock company «Titan» Firm
(ZAO «Titan» Firm)**

Location: Engels Str. 61, Verkhnyaya Salda, Sverdlovsk Oblast, Russia.

Postal address: Engels Str. 61, Verkhnyaya Salda, Sverdlovsk Oblast, Russia, 624760.

Grounds for acknowledging the company as a subsidiary: dominant participation in the charter capital

Issuer's participatory share in charter capital of subsidiary: 70%

Proportion of ordinary shares in subsidiary which belong to issuer: 70%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Description of company's main line of business: retail trade

Description of the role of such company in issuer's activity: verification of the competitiveness of consumer goods manufactured by the issuer in the local market.

Full and abbreviated corporate name:

**Limited liability company «Torgovy Dom «Tirus»
(OOO «Torgovy Dom «Tirus»)**

Location: Parkovaya Str. 1, Verkhnyaya Salda, Sverdlovsk Oblast, Russia.

Postal address: Parkovaya Str. 1, Verkhnyaya Salda, Sverdlovsk Oblast, Russia, 624760.

Grounds for acknowledging the company as a subsidiary: dominant participation in the charter capital

Issuer's participatory share in charter capital of subsidiary: 100%

Proportion of ordinary shares in subsidiary which belong to issuer: 100%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Description of company's main line of business: activity of wholesale trade agents for universal range of goods.

Description of the role of such company in issuer's activity: provision of the issuer with certain types of goods on the request of the latter.

Full and abbreviated corporate name:

**Open joint-stock company «AVISMA Titanium and Magnesium Works»
(JSC AVISMA)**

Joint Stock Company «AVISMA Titanium-Magnesium Works» (JSC AVISMA)

Location: Berezniki, Perm Oblast, Russia.

Postal address: Berezniki, Perm Oblast, 618421, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation in the charter capital.

Issuer's participatory share in charter capital of subsidiary: 42,06%

Proportion of ordinary shares in subsidiary which belong to issuer: 56,08%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Description of company's main line of business: manufacture of other nonferrous metals.

Description of the role of such company in issuer's activity: supply of the basic raw material (spongy titanium) the issuer's production of titanium semifinished products.

Full and abbreviated corporate name:

Open joint-stock company «Ural» (OAO URAL)

Location: 1 Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Oblast, Russia,.

Postal address: 1 Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Oblast, 624760, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation in the charter capital

Issuer's participatory share in charter capital of subsidiary: 51%

Proportion of ordinary shares in subsidiary which belong to issuer: 51%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Description of company's main line of business: manufacture of tableware and kitchen utensils, provision of services to producing departments in terms of manufacturing small parts for consumer goods.

Description of the role of such company in issuer's activity: use of previously created fixed assets and personnel.

Full and abbreviated corporate name:

Closed joint-stock company «Tirus Medservis Medical Insurance Company» (ZAO MSK «Tirus Medservis»)

Location: Molodezhny Poselok Str. 105, Verkhnyaya Salda, Sverdlovsk Oblast, Russia.

Postal address: Molodezhny Poselok Str. 105, Verkhnyaya Salda, Sverdlovsk Oblast, 624760, Russia.

Grounds for acknowledging the company as dependent: the issuer owns more than twenty percent of the voting shares

Issuer's participatory share in charter capital of dependent company: 31,4%

Proportion of ordinary shares in dependent company which belong to issuer: 31,4%

Dependent company's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to dependent company: 0

Description of company's main line of business: activities in the field of compulsory social security.

Description of the role of such company in issuer's activity: social protection of the issuer's employees, first of all medical insurance.

Full and abbreviated corporate name:

Open joint-stock company «Tekhnolog» (OAO Tekhnolog)

Location: Onezhskaya Str., 24/1, Moscow, Russia.

Postal address: Onezhskaya Str., 24/1, Moscow, 125413, Russia.

Grounds for acknowledging the company as a subsidiary: dominant participation in the charter capital

Issuer's participatory share in charter capital of subsidiary: 50,07%

Proportion of ordinary shares in subsidiary which belong to issuer: 50,07%

Subsidiary's participatory share in issuer's charter capital: 0
 Proportions of issuer's ordinary shares belonging to subsidiary: 0
 Description of company's main line of business: 33.10.1(OKVED code)
 Description of the role of such company in issuer's activity: setting up a future service center.

3.7. Composition, structure and cost of the issuer's tangible assets,

Information on plans concerning the purchasing, replacement, retirement of tangible assets, and also about any facts of encumbrance on the issuer's tangible assets

3.7.1. Tangible assets

No. п/п	Name of group of fixed assets	Full cost before revaluation, Rb.	Depreciated cost (less depreciation) before revaluation, Rb.	Date of revaluation	Full cost after revaluation, Rb.	Depreciated cost (less depreciation) after revaluation, Rb.
1	All quick-wearing assets with useful life from year 1 to 2 years inclusive	11 567	-	-	-	-
2	Assets with useful life longer than 2 years to 3 years inclusive	3 532 863	2 103 701	-	-	-
3	Assets with useful life longer than 3 years to 5 years inclusive	184 671 105	81 227 613	-	-	-
4	Assets with useful life longer than 5 years to 7 years inclusive	175 747 181	85 402 567	-	-	-
5	Assets with useful life longer than 7 years to 10 years inclusive	1 342 387 913	557 766 587	-	-	-
6	Assets with useful life longer than 10 years to 15 years inclusive	1 190 904 845	331 249 199	-	-	-
7	Assets with useful life longer than 15 years to 20 years inclusive	956 186 600	448 492 475	-	-	-

8	Assets with useful life longer than 20 years to 25 years inclusive	106 050 006	18 452 455	-	-	-
9	Assets with useful life longer than 25 years to 30 years inclusive	116 338 489	21 775 146	-	-	-
10	Assets with useful life longer than 30 years	849 299 348	560 356 859	-	-	-
Total, Rb.:		4 925 129 917	2 160 826 602			

The issuer has no plans concerning the purchasing, replacement, and retirement of the tangible assets whose cost constitutes 10 and more percent of the total tangible assets.

The balance sheet value of the issuer's tangible assets in pawn as of 01.10.2004: 982`312`669,63 rubles.

The depreciated cost of the issuer's tangible assets in pawn as of 01.10.2004: 566`354`425,51 rubles.

The balance sheet cost of the issuer's tangible assets under lease as of 01.10.2004: 85`070`997,40 rubles.

The depreciated cost of the issuer's tangible assets under lease as of 01.10.2004: 58`141`506,74 rubles.

3.7.2. Cost of the issuer's real estate

Total cost of the real estate as of 01.10.2004 : 1`403`572`944,76 rubles

Accumulated depreciation: 710`063`652,96 rubles

No estimation of the real estate within 12 months before the end date of the reporting quarter has been made.

IV. Information on financial and economic activities of the issuer

4.1. Financial and economic performance results

4.1.1. Profit and Loss

Name of indicator	Recommended calculation method	1999	2000	2001	2002	2002, using 2003 methodology	2003	2004, as of 1.04	2004, as of 1.07	2004, as of 1.10	Notes
Sales, ,000 Rb.	Total proceeds from selling goods, products, works, services	3298051	4624299	7346341	8768747	8768747	8369550	2343760	5049513	7880699	
Gross profit, ,000 Rb.	Proceeds (proceeds from sales) – cost of goods, products, works, services sold (less trade and administration costs)	1642182	2056973	3276869	3865790	3865790	3146119	778761	1439073	2421783	
Net profit (retained profit (uncovered loss), ,000 Rb.	Profit (loss) from ordinary activity + extraordinary income – extraordinary expenses	859627	833963	1480061	1390330	1390330	1279415	491384	605365	989219	
Labor productivity, ,000 Rb./person	Sales (proceeds from sales)/average payroll number of staff (employees)	253.0	344.9	497.6	589.9	589.9	549.4	159.6	333.7	516.9	
Return on fixed assets, %	Sales (proceeds from sales)/total fixed assets	3.09	4.29	6.13	6.54	6.5	4.3	1.2	2.47	3.74	Shows how effectively fixed assets are used, in dynamics the indicator increases, i.e. a positive factor

Return on assets, %	Net profit /assets (balance-sheet value)	26.02	18.53	24.81	17.12	17.1	12.7	4.6	5.44	8.33	Characterizes financial stability, i.e. how effectively company owners' resources and borrowings are used.
Return on equity, %	Net profit /(capital and reserves – earmarked funds and earnings + deferred income – own shares repurchased from shareholders)	38.0	28.2	37.5	24.8	24.8	18.6	6.7	8.07	12.74	Shows profit on every ruble of own funds invested
Profit margin, %	Profit from sales /net sales (proceeds from sales)	32.9	29.3	32.2	32.3	33.81	23.01	20.59	14.71	17.49	Shows profit on every unit of sales
Total uncovered loss as at reporting date, '000 Rb.	Uncovered loss for prior years + uncovered loss for reporting year	0	0	0	0	0	0	0	0	0	
Ratio of uncovered loss as at reporting date to balance-sheet value of assets, %	Total uncovered loss as at reporting date /balance-sheet value of assets	0	0	0	0	0	0	0	0	0	

4.1.2. Factors which have influenced the change in proceeds from sales of goods, products, works and services by the issuer and the profit (loss) of the issuer from primary activity

With regard to increase in proceeds:

- in 1999, the sharp increase in the dollar exchange rate in August 1998 with a 2.3-fold effect, the share of exports in total sales constitutes 62,1 %;
- in 2001, the beginning of a 4-year cycle of growth in the need for titanium products in the aerospace market (the output of titanium for export increased in comparison with 2000 in physical terms 1.6 times), interrupted in September 2001 by the terrorist attack in the US.
- in 2003, a decrease in proceeds in comparison with 2002 by 4.5 %, the effect of the consequences of the terrorist attack in the US in September 2001 and the negative effect of a decrease in the dollar exchange rate (exports amount to 60 % of total sales).

4.2. Issuer's Liquidity

Name of indicator	Recommended calculation method	1999	2000	2001	2002	2002, using 2003 methodology	2003	2004, as of 1.04	2004, as of 1.07	2004, as of 1.10	Notes
Own working assets, '000 Rb.	Capital and reserves (net of own shares repurchased from shareholders) – earmarked funds and earnings + deferred income – fixed assets – long-term debts	957475	1497156	2199482	3500698	3500698	3170722	3586386	3596342	3794279	
Debt to equity ratio	Long-term liabilities + short-term liabilities (excluding deferred income)/capital and reserves (net of own shares repurchased from shareholders) – earmarked funds and earnings + deferred income	0.462	0.522	0.441	0.446	0.446	0.459	0.437	0.482	0.529	Shows the extent to which assets are funded through borrowings: the less the ratio, the less dependence
Capital to assets ratio	Capital and reserves (net of own shares repurchased from shareholders) – earmarked funds and earnings + deferred income / fixed assets + current assets	0.684	0.657	0.662	0.691	0.691	0.685	0.696	0.675	0.654	Shows the share of own capital in assets, characterizes the degree of financial independence from creditors. Shall not go below 0.5:-0.6
Coverage of inventories with own current assets	Own current assets / inventories	0.671	0.665	0.791	1.089	1.089	0.815	0.855	0.820	0.773	Shows to what extent stocks are covered with own current assets
Fixed asset-to-equity ratio	Fixed assets + long-term receivables /capital and reserves (net of own shares repurchased from shareholders) - earmarked funds and earnings + deferred income	0.576	0.494	0.443	0.377	0.377	0.540	0.514	0.521	0.512	Recommended value <= 0.9
Current ratio	Current assets - long-term receivables/short-term liabilities (net of deferred income)	1.943	1.976	2.425	2.397	2.397	2.009	2.121	2.003	1.932	Statutory ratio not lower than 2

Quick ratio	(Current assets – stock – value added tax on acquisitions - long-term receivables) / short-term liabilities (net of deferred income)	0.469	0.400	0.709	0.967	0.967	0.612	0.650	0.631	0.591	Optimum value = 0.8-:-1.0

4.3. Size, structure and adequacy of the issuer's capital and current assets

4.3.1. Size and Structure of Capital and Current Assets of the Issuer

Thousand rubles

	1999	2000	2001	2002	2002, using 2003 methodology	2003	2004, as of 1.04	2004, as of 1.07	2004, as of 1.10
Charter capital	11 806	11 806	11 806	10 626	10 626	10 626	10 626	10 626	10 626
Total cost of issuer's shares repurchased by the issuer for subsequent resale (transfer), with indication of percentage of such shares in placed shares (charter capital) of issuer, %	0	0	10	0	0	0	(3)	0	0
Size of issuer's reserve capital formed at the expense of deductions from issuer's profit	624	624	624	624	624	624	624	624	624
Size of issuer's paid-in surplus reflecting increase in the value of assets resulting from revaluation, and difference between sale price (placement price) and par value of shares of the company resulting from sale of shares at a price exceeding par value	1 379 435	1 379 647	1 359 991	1 359 991	1 359 991	1 359 991	1 359 991	1 359 991	1 359 991
Size of issuer's retained net profit	868 524	1 565 662	2 853 588	4 243 918	4 243 918	5 523 333	6 014 717	6 128 698	6 395 707
Social sphere funds	0	0	0	0				0	0
Size of issuer's earmarked funds including total funds allocated for conducting special actions, funds received from other organizations and persons, budget funds, etc.	83	42	92	0				0	0
Issuer's total capital	2 260 472	2 957 781	4 226 101	5 615 159	5 615 159	6 894 574	7 385 955	7 499 939	7 766 948
Inventories	1 427 802	2 251 699	2 781 023	3 215 343	3 215 343	3 888 810	4 192 652	4 385 154	4 909 846
Value added tax on acquisitions	90 265	172 323	202 785	367 238	367 238	517 178	532 422	556 334	578 765
Accounts receivable (due in more than 12 months after reporting date)	0	0	0	0	0	0	0	0	0
Accounts receivable (due within 12 months after reporting date)	445 909	509 627	912 935	1 693 415	1 693 415	1 724 344	1 873 389	2 116 926	2 391 954
Short-term financial investments	19 675	26 407	279 885	712 579	712 579	175 827	142 473	537	186

Cash	17 174	80 009	40 341	17 809	17 809	32 122	72 335	156 079	24 425
Other current assets	0	0	0	0	0	0	0	0	0
Total current assets	2 000 825	3 040 065	4 216 969	6 006 384	6 006 384	6 338 281	6 813 271	7 215 030	7 905 176

The issuer's policy for financing current assets is described in Section 3.2.6.

4.3.2. Issuer's Capital and Current Assets Adequacy

	1999	2000	2001	2002	2002, using 2003 methodology	2003	2004 as of 1.04	2004 as of 1.07	2004 as of 1.10	Notes
Interest payable	0	35 347	35 528	86 255	86 255	97 038	(23020)	(44 902)	(62 203)	
Other operating expenses	2 456 472	3 707 599	5 093 730	6 804 896	6 804 896	5 453 051	(1778780)	(3 140 925)	(5 014 929)	
Issuer's total capital	2 260 472	2 957 781	4 226 101	5 615 159	5 615 159	6 894 574	7 385 955	7 499 939	7 766 948	The condition of own capital adequacy for covering current operating expenses and short-term liabilities is met
Short-term liabilities	1 029 996	1 538 532	1 739 072	2 505 881	2 505 881	3 155 546	3 212 646	3 602 179	4 092 494	
Total current assets	2 000 825	3 040 065	4 216 969	6 006 384	6 006 384	6 338 281	6 813 271	7 215 030	7 905 176	
Own capital is considered adequate for covering current operating expenses and meeting short-term liabilities on condition provided total own capital is greater than or equal to total short-term liabilities										
Capital adequacy indicators are described in Section 2.1										

4.3.3. Cash

The issuer borrows funds (short-term credits) to meet the needs for working capital, and for development (reconstruction, renovation) of the company according to the budget of charges. The issuer's need for borrowed funds for the next quarter amounts to 6 – 8 million \$. There are no payables gathered by the bank on its files.

4.3.4. Financial investments of the issuer

The amount of all financial investments of the issuer as at 01.10.2004 : 977`534`931 rubles. The list of financial investments of the issuer which constitute 10 and more percent of its total financial investments at the end date of the reporting quarter:

Type of securities: ordinary registered uncertificated shares

Full and abbreviated name of the issuer of securities: Open joint-stock company «Tekhnolog» (OAO Tekhnolog)

Location: Onezhskaya Str. 24/1, Moscow, 125413

Information in issue of securities of this category (type) which are in possession of the issuer:

Date of State registration of issue	State registration number of issue	State agency which registered issue
14.07.2003	1-02-03611-A	Regional Division of Russian Federal Securities Commission in Central Federal District

Par value of one security: 2 Rb.

Number of securities which are in possession of the issuer: 2`272`825

Total par value of securities which are in possession of the issuer: 4`545`650 rubles

Total balance sheet value of financial investment: 833`149`460,25 rubles

Dividends on shares have not been paid.

Dividends have not been announced

Information on provisions for diminution in value of securities: provisions for diminution in value of securities have not been created.

Accounting standards (rules) in accordance with which the issuer has made the estimations presented under this item of the quarterly report: financial investments are accounted for in balance sheet account 58 according to accounting regulation ПБУ 19/02 «Accounting for financial investments» approved by Order of the Ministry of Finance of the Russian Federation on 10.12.2002 No.126н.

4.3.5. Intangible assets of the issuer

No.	Name of group of intangible assets	Full cost, Rb.	Accrued amortization, Rb.	Amortization for 9 months of 2004
1.	Right to invention	2`512`192	1`387`744	140`772
2.	Right to trademark	1`500	864	185

The issuer presents information on his intangible assets in accordance with accounting rule ПБУ 14/2000 approved by Order of the Ministry of Finance of the Russian Federation dated 16.10.2000 No.91H.

4. 4. Information on the policy and expenses of the issuer in the field of scientific and technological development, with regard to licenses and patents, new research and development

As at 01.10.2004, the books account for intangible assets in the amount of 2`513`692 rubles, including:

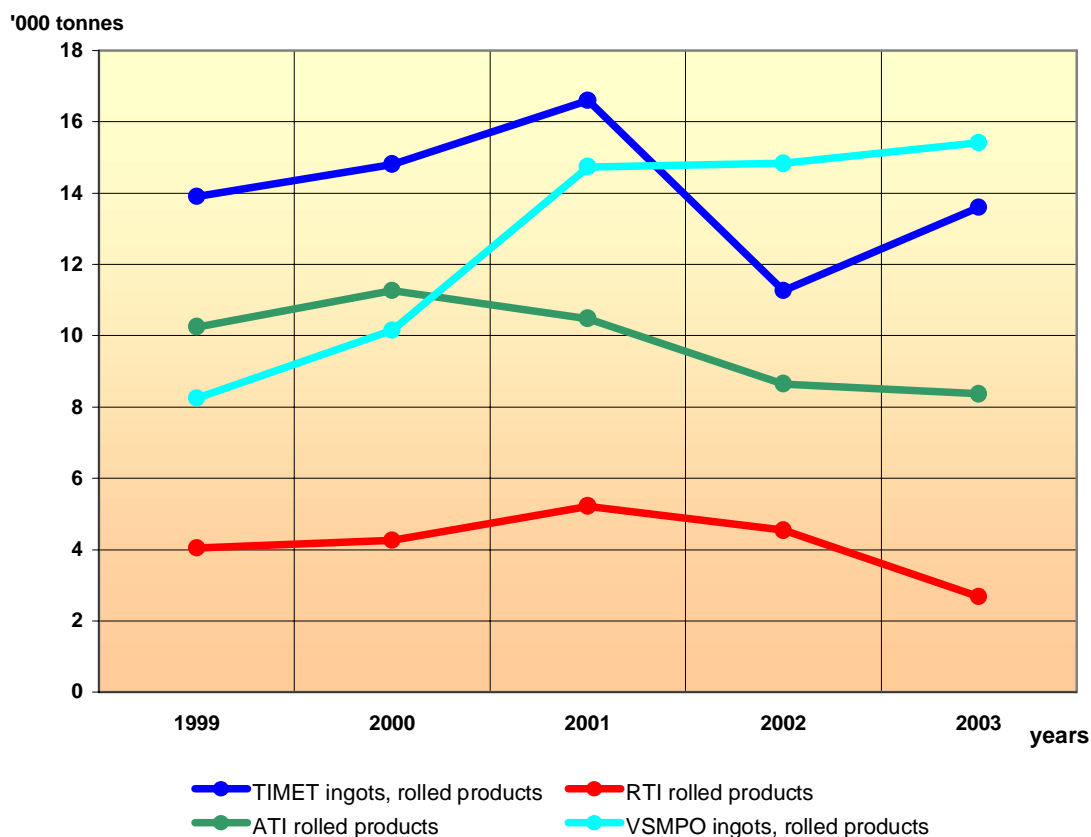
- trademarks 1`500 rubles
- the right to inventions and prototypes 2`512`192 rubles.

4.5 Analysis of development trends in issuer's primary activity

About 65 percent of the products manufactured by VSMPO are intended for use in the aerospace industry, therefore the condition of this sector of the Russian and world economy has a substantial influence on the technical and economic indicators of the Association. The aerospace sector of the world market features a cyclic character of development with a period of about 4 years, and the global titanium market is developing similarly. It should be noted, though, that in recent years these markets have been affected by the 1998 Asian financial crisis and the terrorist attack on 11 September 2001 in the US.

The leading titanium companies of the world, therefore, have recently experienced serious difficulties with sales, losing annually 15-25 % of output (Fig.1, table 1).

Fig.1 SHIPMENT OF TITANIUM PRODUCTS BY US COMPANIES AND VSMPO IN 1998 – 2003



Source: Company reports

Table 1. Main indicators of Timet, RTI, ATI and VSMPO in 1999-2003

Indicators, companies	Unit of measurement	Years				
		1999	2000	2001	2002	2003
Sales	\$ mln					
Timet		480,0	426,8	486,9	366,5	385,3
RTI		243,3	249,4	285,9	270,9	205,5
ATI, total		2296,1	2460,4	2128,0	1907,8	1937,4
Tit. rolled products		300,0	320,0	290,0	240,0	230,0
VSMPO		130,9	163,0	247,7	275,5	268,1
Net profit (loss)	\$ mln					
Timet		(31,4)	(38,9)	(41,8)	(111,5)	(13,1)
RTI		2,2	6,7	12,1	15,1	4,7
ATI		300,2	132,5	(25,2)	(65,8)	(116,2)
VSMPO		35,1	29,6	50,6	45,3	41,5
Shipment of titanium products	'000 tonnes					
Timet, total		13,90	14,81	16,60	11,26	13,60
rolled products		11,40	11,37	12,18	8,86	8,88
ingots, slabs		2,50	3,47	4,41	2,40	4,72
RTI, rolled products		4,04	4,26	5,22	4,54	2,68
ATI, rolled products		10,35	11,26	10,48	8,65	8,37
VSMPO, ingots, rolled products		8,25	10,15	14,74	14,83	15,42
Average product price	\$ / kg					
Timet, total		29,62	25,15	25,73	27,80	24,78
rolled products		33,00	28,70	29,80	31,40	31,50
ingots, slabs		14,20	13,65	14,50	14,50	12,15
RTI, rolled products		35,62	34,65	29,48	33,33	35,13
ATI, rolled products		25,77	23,94	25,77	26,06	25,33
VSMPO, exports, total		14,61	13,51	14,82	13,16	12,15
exports, rolled products		19,03	20,26	21,57	21,76	15,07

Sources: Annual reports of the companies

In contrast to its main competitors VSMPO features stable growth of output and hence stable growth of profit, ensuring the possibility of reconstruction and development.

The main advantages of VSMPO in comparison with the competitors:

- the existence of VSMPO-AVISMA corporation possessing a full range of titanium production from raw material to metallurgical semifinished items and finished products for machine building (heat-exchanging and container equipment);

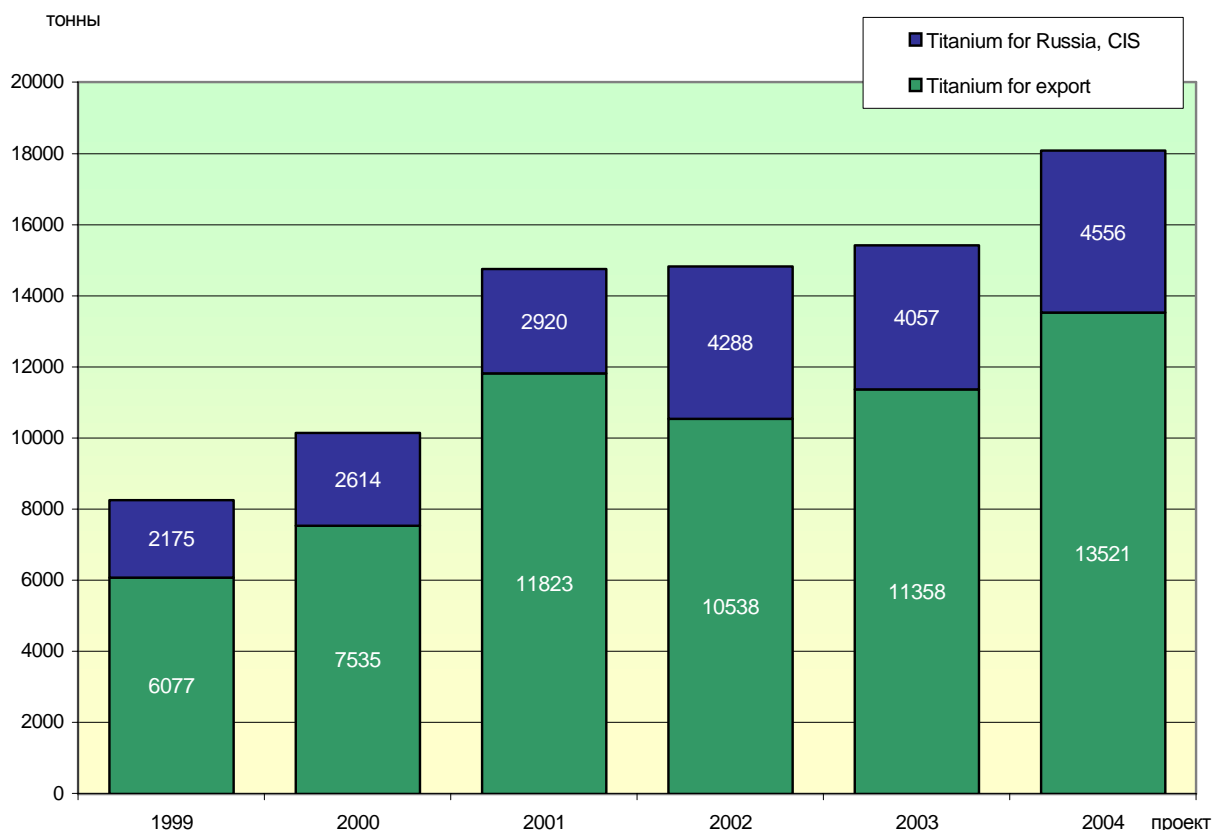
- diversification allows the Company to move resources from the titanium sector to the manufacture of other types of product: aluminum, steel, ferrotitanium, and consumer goods (tab. 2);

Table 2. Structure of products shipped by VSMPO by type

Type of product	Years				
	1999	2000	2001	2002	2003
	%				
Titanium products	81.2	81.0	84.7	82.1	82.7
Aluminum products	3.9	4.3	4.6	5.5	5.7
Non-traditional aluminum products	5.3	5.4	3.1	3.2	3.4
Steel	2.4	3.2	2.9	2.6	2.4
Ferrotitanium	4.3	3.9	2.8	4.7	3.2
Non-traditional products	0.9	0.5	0.3	0.3	0.4
Other goods	2.1	1.7	1.6	1.6	2.2
Total	100.0	100.0	100.0	100.0	100.0

Source: VSMPO reports

Fig.2. Shipment of titanium products by VSMPO to domestic and external markets



- VSMPO is an integrated manufacturer of titanium semi-finished products, and in contrast to its competitors the Company implements all processes and also control and tests on its own (without involving subcontractors);

- the implementation of the program aimed at increasing the share of value-added products (die forgings, welded pipes, sheets) instead of supplying ingots and slabs consolidates the position of VSMPO in the global titanium market.

One of the stabilizing factors which strengthen the position of VSMPO in the market is the agreement made recently with SUAL concerning cooperation in the manufacture and supply of aluminum products to the world market, first of all the aerospace sector.

V. Information on the members of the executive bodies of the issuer, financial control bodies of the issuer and data on the issuer employees

5.1. Information on the structure and powers of executive management bodies of the issuer

The executive management bodies of the Company are:

- General meeting of shareholders;
- Board of Directors;
- One-person executive body (Director-General)

The powers of the general meeting of shareholders (participants) of the issuer in accordance with its charter (constituent documents):

Relegated to the competence of the general meeting of shareholders shall be the following issues:

- making of alterations in and amendments to the Charter of the Bank or approval of a new edition of the Charter (except for cases provided for by items 2-5 of Article 12 of the Federal Law “On Joint-Stock Societies”;
- reorganization of the Company;
- liquidation of the Company, appointment of a liquidation committee and approval of the interim and final liquidation balance sheets;
- determination of the numerical membership of the Board of Directors, election of members thereto and termination of their powers before time;
- election of one-person executive body;
- termination of the powers of one-person executive body before time;
- determination of numerical membership of the Internal Auditing Committee, election of the Internal Auditing Committee and termination of its powers before time;
- approval of the Company’s auditor;
- determination of the number, par value, category (type) of declared shares and rights granted by these shares;
- increase of the charter capital of the Company by means of increasing the par value of the shares;
- increase of the charter capital of the Company by means of placing additional shares in cases provided for by federal legislation and the Charter of the Company;
- increase of the charter capital of the Company by means of placing additional shares within the number and category (type) of declared shares at the expense of the property of the Company when the placement of additional shares is effectuated by means of distribution thereof amongst shareholders if the Board of Directors has failed to make a unanimous decision on this issue;
- reduction of the charter capital of the Company by means of reducing the par value of the shares, by means of repurchasing part of the shares by the Company for the purposes of reducing their total number and by means of redeeming shares which have been acquired or repurchased by the Company (shares which are at the disposal of the Company);

- approval of annual reports, annual financial reports, including the profit and loss account of the Company and the distribution of profit, including payment (declaration) of dividends, and losses of the Company based on the results of the financial year;
- determination of a procedure for transacting general meetings of shareholders;
- sub-division and consolidation of shares;
- adoption of decisions concerning the approval of major transactions in instances provided for by Article 83 of the Federal Law “On Joint-Stock Societies”;
- adoption of decisions concerning the approval of major transactions in instances provided for by item 2, Article 79 of the Federal Law “On Joint-Stock Societies”;
- adoption of decisions concerning the approval of major transactions in instances provided for by item 3, Article 79 of the Federal Law “On Joint-Stock Societies”;
- adoption of decision concerning participation in holding companies, financial-industrial groups, associations and other unions of commercial organizations;
- approval of internal documents regulating the activities of the bodies of the Company;
- adoption of decision concerning the remuneration and (or) compensation of expenses of the Internal Auditing Committee connected with the performance of its functions during the effective period of these functions; determination of the size of such remuneration and compensation;
- adoption of decisions concerning the remuneration and (or) compensation of expenses of members of the Board of Directors connected with the performance of the functions of members of the Board of Directors by them during the effective period of such functions, determination of the size of such remuneration or compensation;
- adoption of decisions concerning the reimbursement, at the expense of the funds of the Company, of expenses on preparing and holding an extraordinary general meeting of shareholders incurred by persons and bodies who initiated such general meeting of shareholders;

- determination of the list of additional documents which shall be kept at the Company mandatorily;
- decision of other issues relegated by the Federal Law to the competence of the general meeting of shareholders.

The general meeting of shareholders shall not have the right to consider and adopt decisions concerning issues not relegated to its competence by the Federal Law and the Charter.

The general meeting of shareholders shall not have the right to adopt decisions not included in the agenda of the general meeting of shareholders or to change the agenda.

The competence of the Board of Directors of the issuer in accordance with its Charter:

The Board of Directors shall effectuate current direction over the activity of the Company except for the deciding of issues relegated by the effective legislation of the Russian Federation and the Charter to the competence of the general meeting of shareholders.

The following shall be relegated to the competence of the Board of Directors:

- determination of priority lines of business for the Bank;
- convocation of an annual general or extraordinary meeting of shareholders except for cases provided for in item 8, Article 55 of the Federal "On Joint-Stock Societies";
- approval of the agenda of a general meeting of shareholders;
- determination of a date for drawing up a list of shareholders entitled to attend the general meeting and other issues relegated to the competence of the Board of Directors in accordance with the provisions of Article VII of the Federal Law "On Joint-Stock Societies" concerning the preparation and transaction of general meetings;
- preliminary approval of annual reports of the Company;
- increase of the charter capital of the Company by means of placing additional shares within the limits on the quantity and categories (types) of declared shares at the expense of the property of the Company when the placement of additional shares is effectuated by means of placing them amongst shareholders;
- increase of the charter capital of the Company by means of placing additional shares within the limits on the quantity and categories (types) of declared shares by an open subscription to ordinary shares in the amount constituting 25 percent and less of the previously placed ordinary shares;
- increase of the charter capital of the Bank by means of placing additional shares within the limits on the quantity and categories (types) of declared shares by an open subscription to preference shares;
- placement of additional shares at the expense of the property of the Company when the placement of additional shares is effectuated by means of distribution thereof amongst shareholders;
- placement of debentures not convertible into shares and other emission securities not convertible into shares;
- approval of decisions concerning the issue of securities, security issue prospectus, reports on the results of issue of securities, making of alterations and amendments in them;
- determination of the price (monetary value) of property, a price for placement and repurchase of emission securities in cases provided for by the Federal Law "On Joint-Stock Societies";
- repurchase of shares placed by the Company in accordance with item 2, Article 72 of the Federal Law "On Joint-Stock Societies";
- repurchase of debentures and other securities placed by the Company in cases provided for by the Federal Law "On Joint-Stock Societies";
- approval of the results of repurchasing of shares acquired in accordance with item 1, Article 72 of the Federal Law "On Joint-Stock Companies";
- recommendations to the general meeting of shareholders as to the amount of remuneration and compensations to be paid to the members of the Internal Auditing Committee;
- determination of the amount of pay for the services of the Auditor of the Company;
- recommendations to the general meeting of shareholders as to the amount of dividend on shares of all categories and the procedure for the payment thereof;
- recommendations to the general meeting of shareholders as to the distribution of profits and losses of the Company based on the results of the financial years;

- use of the reserves or others funds of the Company;
- approval of the Company's internal documents except for internal documents regulating activities of the management bodies of the Company to be approved by resolution of the general meeting of shareholders and other internal documents of the Company the approval of which is relegated by the Charter to the competence of the one-person executive body of the Company, and the making of alterations in and amendments thereto;
 - creation and closing of branches, creation and closing of representations of the Company, approval of statutes on branches and representations, making of alterations in and amendments thereto, and appointment of heads of branches and representations and termination of their powers
 - making of changes in the Charter connected with the creation of branches, opening of representations of the company and their closing;
 - approval of major transactions in cases provided for by Chapter X of the Federal Law "On Joint-Stock Societies";
 - approval of transactions provided for by Chapter XI of the Federal Law "On Joint-Stock Societies";
 - approval of Registrar of the Company and the terms of contract therewith, and dissolution of the contract therewith;
 - adoption of decision at any time to audit the financial and economic activities of the Company;
 - appointment of a person authorized to sign a contract on behalf of the Company with a one-person executive body;
 - determination of the list of additional documents to be mandatory kept at the Company;
 - approval of the contract with a person who shall effectuate the powers of one-person executive body of the Company;
 - adoption of a decision to terminate the powers of the one-person executive body of the Company;
 - other issues provided for by the provided for by the Federal Law "On Joint-Stock Societies".

The competence of the one-person and collective executive organs of the issuer in accordance with its Charter (constituent documents):

The management of current activity of the Company shall be effectuated by the Director General (a one-person executive organ of the Company).

The one-person executive organ shall report to the general meeting of shareholders and the Board of Directors.

To the competence of the Director-General shall be relegated all issues of management of current activity of the Company except for questions relegated to the exclusive competence of the general meeting of shareholders and the Board of Directors.

The Director General shall organize the implementation of decisions adopted by general meetings of shareholders and the Board of Directors.

The Director General shall act without power of attorney on behalf of the Company, including that s/he shall:

- effectuate the management of activities of the Company;
- have the right of first signature in financial documents;
- manages the property of the Company for ensuring its current activity within the limits established by the Charter;
- represent the interests of the Company both within and outside the Russian Federation, including in foreign countries;
- approve of staffing lists, conclude labor contracts with employees of the Company, apply incentive measures to employees and impose penalties thereon;
- conduct transactions on behalf of the Company except for cases provided for by the Federal Law "On Joint-Stock Societies" and the Charter of the Company;
- issue powers of attorney on behalf of the Company;
- open accounts of the Company in banks;
- organize book-keeping and reporting in the Company;
- issue orders and give instructions which shall be binding on all employees of the

- Company;
- perform such other functions as may be necessary to achieve the objectives of the Company and ensure its normal operation in accordance with effective legislation and the Charter except for functions relegated by the Federal Law "On Joint-Stock Societies" and the Charter to the other executive organs of the Company.

The Director-General shall be elected by the general meeting of shareholders for a term of 4 years.

The issuer has no code of corporate conduct (management) or any similar document.

The following changes were introduced into VSMPO Charter during the reporting period: para. 7.1 of VSMPO Charter was enlarged with the following:

"In addition to the placed shares, the Company is entitled to place 1 339 685 (one million three hundred thirty-nine thousand six hundred and eighty-five) ordinary registered shares with the nominal value of 1(one) ruble each (declared shares). The declared ordinary registered shares of the Company when placed shall grant the same rights as the previously placed ordinary shares".

The full text of the effective edition of the issuer's charter and internal documents regulating the activities of the issuer's management organs is provided for open access at the web-site www.vsmpto.ru in the Internet.

5.2. Information on persons included in the management organs of the issuer

Board of Directors:

Chairman: Bresht, Vyacheslav Iosifovich, b.1953.

Members of the Board of Directors:

Bresht, Vyacheslav Iosifovich, b.1953.

Information on education: higher vocational

Posts in the last 5 years:

Period: 1999 – 2000

Post: adviser to Director-General of JSC VSMPO

Period: 2000 – 2002

Post: assistant to the Director-General on foreign trade activities, JSC VSMPO

Period: 2002 – June 2004

Post: Assistant Director-General for marketing and sales, JSC VSMPO

Share in the charter capital of the issuer: 0,0012%

Shares in subsidiary / dependent companies of the issuer: 19.98% in the charter capital of JSC Insurance Company «Salda-ASKO»

Melnikov, Nikolay Konstantinovich, b. 1955.

Information on education: higher vocational

Posts in the last 5 years:

Period: 1999

Post: head of Department of Marketing and Contractual Work, JSC VSMPO

Period: 1999 – 2001

Post: Deputy Manufacturing Director, JSC VSMPO

Period: 2001- 2003

Period: 2004 - present time

Post: Assistant Director-General for Production Planning and Management, JSC VSMPO

Share in the charter capital of the issuer: no shares

Shares in subsidiary / dependent companies of the issuer: no shares

Levin, Igor Vasilyevich, b. 1950.

Information on education: higher vocational

Posts in the last 5 years:

Period: 1999 – 2002r

Post: Chief Metallurgist, JSC VSMPO
Period: 2002 – present time
Post: Director for Science and Technology, JSC VSMPO
Share in the charter capital of the issuer: no share
Shares in subsidiary / dependent companies of the issuer: no shares

Malygin, Igor Leonidovich, b. 1961.

Information on education: secondary vocational
Posts in the last 5 years:
Period: 1999 - present time
Post: head, Press-Forging Shop, JSC VSMPO
Share in the charter capital of the issuer: no share
Shares in subsidiary / dependent companies of the issuer: no shares

Ol'khovik, Eugeny Nikolaevich, b. 1955.

Information on education: higher vocational
Posts in the last 5 years:
Period: 1999
Post: head, Financial-Economic department, JSC «Siberian-Ural Aluminum Company»
Period: 1999 – 2003
Post: from 1999 - Director-General, ZAO RENOVA
Period: 1999 – 2003
Post: Deputy Director-General, “ ZAO Komvek ”
Period: 1999 – 2000r
Post: Deputy Director-General for Corporate Development, JSC «Siberian-Ural Aluminum Company»
Period: 2000 – 2003r
Post: First Vice-President, «OAO SUAL-HOLDING»
Period: 2000 – present time
Post: First Deputy President – First Vice-President for Business in Russia, «OAO SUAL-HOLDING»
Share in the charter capital of the issuer: no share
Shares in subsidiary / dependent companies of the issuer: no shares

Kelly Dennis, b. 1946.

Information on education: Seton Hall University, Accounting faculty
Posts in the last 5 years:
Period: 1999-2002.
Post: Vice president on Strategic Planning of «Metallurgist» Group, New York
Period: 2003 – present time
Post: Vice president, Finance of «Tirus US» Company
Share in the charter capital of the issuer: no share
Shares in subsidiary / dependent companies of the issuer: no shares

Monahan John, b. 1945.

Information on education: San Francisco college, “Economy and History” faculty
Posts in the last 5 years:
Period: 1999-2000.
Post: Vice president, Sales and Marketing of «Timet» Company
Period: 2000-present time
Post: President of «Tirus US» Company
Share in the charter capital of the issuer: no share
Shares in subsidiary / dependent companies of the issuer: no shares

One-Person Organ of the issuer:

Tetyukhin, Vladislav Valentinovich, b. 1932.

5.3. Information on remuneration, benefits and/or compensation of expenses for each management organ of the issuer

Total income of all members of the Supervisory Board for 2003: 6`540`490,26 rubles.

In accordance with the Regulations on the Supervisory Board, the remuneration for 2004 is determined and paid to the members of the Supervisory Board based on the resolution of the general meeting of shareholders in accordance with the performance results of the Company for the year; besides, the members of the Supervisory Board who are full-time staff employees of JSC VSMPO receive salaries in 2004 according to the staffing list of JSC VSMPO.

5.4. Information on the structure and competences of the organs auditing the financial and economic activities of the issuer

The financial, economic and legal activities of the Company are audited by the Auditing Committee. Any shareholder and any person nominate by a shareholder may be a member of the Internal Auditing Committee.

The members of the Auditing Committee of the Company may not be concurrently members of the Supervisory Board or the executive organs of the Company.

The Internal Auditing Committee is elected at an annual general meeting for a term of 1 year and consists of at least three persons.

The Internal Auditing Committee elects Chairperson and secretary to the Internal Auditing Committee from among its members.

Verification (an internal audit) of the financial and business activities of the Company is carried out with regard to the results of the Company's performance for the year and at any time at the initiative of the Internal Auditing Committee itself, decision of a general meeting of shareholders, the Supervisory Board or a shareholder (shareholders) of the Company who holds in aggregate not less than 10 percent of the voting shares in the Company.

The following is relegated to the competence of the Internal Auditing Committee:

- verification of the Company's financial documents, accounting reports, conclusions of the property inventorying committee and comparison of the above documents with prime book keeping records;
- analysis of the book keeping, taxation, management and statistical books for correctness and comprehensiveness;
- analysis of the financial position of the Company, its solvency, liquidity of the assets, ratio between own and borrowed funds, net assets and the charter capital, identification of potential for improving the financial status of the Company, development of recommendations for the management organs of the Company;
- verification of the timeliness and correctness of payments made to the suppliers of products and services, payments to the budget and extrabudgetary funds, determination and payment of dividends, interest on debentures, discharge of other obligations;
- confirmation of data included in annual reports of the Company, annual accounting reports, profit and loss accounts, distribution of profit, reporting documents for taxation and statistic agencies, and State authorities;
- verification the validity of decisions adopted by the Supervisory Board, Director-General, liquidation committee and their compliance with the Charter and resolutions of the general meeting of shareholders;
- analysis of decisions of the general meeting of shareholders for their conformity to the law and the Charter.

The Internal Auditing Committee has the right:

- to demand personal explanations from members of the Supervisory Board, employees of the Company including any officials, on questions which are within the competence of the Internal Auditing Committee;

- to bring to the attention of the management organs issues concerning the responsibility of employees of the Company including officials in the event of violation by them of the Charter, provisions, rules and instructions adopted by the Company;
 - to contract experts who do not occupy full-time positions in the Company in performing their functions.
- At the demand of the Internal Auditing Committee persons occupying posts in the management organs of the Company are obliged to grant access to documents on the financial and economic activities of the Company.

The Internal Auditing Committee has the right to demand convocation of an extraordinary general meeting of shareholders in the procedure provided for by the Charter.

Following an audit of financial and economic activities of the Company the Internal Auditing Committee draws up a conclusion which should contain:

- confirmation that the data contained in the reports, and other financial documents of the Company are valid;
- information on any facts of violation of regulations concerning book keeping and presentation of financial reports stipulated by legal acts of the Russian Federation, and also of the laws of the Russian Federation in conducting financial and economic activities.

5.5. Information on persons who are members of the organs responsible for internal auditing of financial and business activities of the issuer

Named membership of the Internal Auditing Committee of the issuer for auditing its financial and business activities:

Ryzhova, Tatyana Eliseyevna, b.1950.

Information on education secondary vocational

Posts in the last 5 years:

Period: 1999 – present time

Post: Chairperson of the Internal Auditing Committee

Share in the charter capital of the issuer: no share

Shares in subsidiary / dependent companies of the issuer: no shares

Kharlampieva, Lydia Kuzminichna, b. 1937.

Information on education higher vocational

Posts in the last 5 years:

Period: 1999 – 2001

Post: auditor

Period: 2001 – present time

Post: Deputy Chairperson of the Internal Auditing Committee

Share in the charter capital of the issuer: no share

Shares in subsidiary / dependent companies of the issuer: no shares

Nikiforova, Vera Vasilievna, b. 1937.

Information on education: secondary vocational

Posts in the last 5 years:

Period: 1999 – present time

Post: auditor

Share in the charter capital of the issuer: 0.0002%

Shares in subsidiary / dependent companies of the issuer: no shares

Pryanichnikova, Nore Ivanovna, b. 1950.

Information on education: secondary vocational

Posts in the last 5 years:

Period: 1999 – 2001

Post: bookkeeper, shop No.16

Period: 2001 – present time

Post: auditor for financial and economic issues

Share in the charter capital of the issuer: no share

Shares in subsidiary / dependent companies of the issuer: no shares

Akhvatova, Marina Evgenievna, b. 1959.

Information on education: higher vocational

Posts in the last 5 years:
 Period: 1999 – present time
 Post: manager of auditing department, JSC “RENOVA”
 Share in the charter capital of the issuer: no share
 Shares in subsidiary / dependent companies of the issuer: no shares

The Registrar has no information as at 01.04.2004 on the holding of shares by persons included in the bodies responsible for auditing financial and economic activities of the issuer who into account for the securities through nominal holders.

5.6. Information on the size of remuneration, benefits and/or compensation of expenses for the body responsible for auditing financial and economic activities of the issuer

Total income of all members of the Internal Auditing Committee for 2003: 880`487,12 rubles.
 «Regulations Concerning the Activity of the Internal Auditing Committee of JSC VSMPO» regulate the payment of remuneration and compensations to members of the Internal Auditing Committee. By resolution of the general meeting of shareholders, members of the Internal Auditing Committee may be paid remuneration and (or) compensations of expenses connected with the performance of the functions of members of the Internal Auditing Committee. The total sum of such remunerations and compensations is determined by resolution of the general meeting of shareholders. There were no such remuneration and compensations in 2003.
 The members of the Internal Auditing Committee working on a full-time basis receive compensation as salaries in the procedure effective for employees of the Company.

5.7. Data on staff numbers and general data on education and qualifications of the issuer and on changes in the staff numbers of the issuer

Indicator	Reporting period
Average payroll numbers, persons.	15398
Total salaries and wages, '000 Rb.	424 118
Total funds for social welfare, '000 Rb.	249 548
Total spendings, '000 Rb.	673 666

Indicator	Reporting period
Staff (employees) under the age of 25, %	17
Staff (employees) aged 25 to 35, %	25
Staff (employees) aged 35 to 55, %	51

Staff (employees) aged over 55, %	7
Total:	100
Of these:	
with secondary and/or complete general education, %	25,0
with primary and/or secondary vocational education, %	54,4
with postgraduate vocation education, %	20,2
with postgraduate vocational education, %	0,4

The staff (employees) of the issuer have set up a trade union: Local Trade Union of the Russian Trade Union of Aviation Industry Workers JSC VSMPO.

5.8. Information on any obligations of the issuer to the staff (employees) concerning the possibility of their participation in the charter (share) capital (share fund) of the issuer

The issuer has no agreements or obligations concerning the possibility of participation of the staff (employees) of the issuer in his charter capital.

VI. Information on participants (shareholders) of the issuer and on transactions of the issuer with vested interest for making them

6.1. Data on total number of shareholders (participants) of the issuer

The number of persons registered in the register of shareholders on the final date of the reporting quarter = 2439.

Including nominal holders =9.

6.2. Data on participants (shareholders) of the issuer who hold not less than 5 percent of its charter (share) capital (share fund) or not less than 5 percent of its ordinary shares, and data on the participants (shareholders) of such persons who hold not less than 20 percent of the charter (share) capital (share fund) or not less than 20 percent of their ordinary shares

Full and abbreviated name of the nominal holder of the issuer:

Closed joint-stock company «Deposit and Clearing Company» (ZAO DKK)

Location: 1st Tverskaya-Yamskaya 13, Moscow, 125047.

The size of the share in the charter capital of the issuer: 73,8339.

Proportion of ordinary shares of the issuer which belong to him: 78,8339.

Full and abbreviated name of the nominal holder of the issuer:

“ING BANK (Eurasia) Closed Joint-Stock Company (“ING BANK (Eurasia) ZAO”)

Location: Krasnaya Presnya 31, Moscow, 123022

The size of the share in the charter capital of the issuer: 7,1648

Proportion of ordinary shares of the issuer which belong to him: 7,1648

6.3. Information on the participatory share of the State or municipality in the charter (share) capital (share fund) of the issuer, availability of a special right ("golden share")

The State (municipality) has no share in the charter capital of the issuer.

No special right to the participation of the Russian Federation, subjects of the Russian Federation, municipal formations in the management of the issuer, a joint-stock company ("golden share") is provided for.

6.4. Information on limitations on participation in the charter (share) capital (share fund) of the issuer

There are no restrictions of the number of shares belonging to one shareholder and/or their total par-value, and/or maximum number of votes given to one shareholder.

There are no restrictions on the share of participation of foreign persons in the charter capital of the issuer.

6.5. Data on changes in the membership and size of participation of shareholders (participants) of the issuer who own not less than 5 percent of his charter (share) capital (share fund) or not less than 5 percent of his ordinary shares

Date of drawing up the list of persons who have the right to attend the general meeting of shareholders (participants) of the issuer: **10.05.2000**

Full and abbreviated corporate name: Closed joint-stock company «Soyuz VS» (ZAO Soyuz VS)

Share in the charter capital of the issuer: 38,60

Proportion of ordinary shares held: 38,60

Full and abbreviated corporate name: Open joint-stock company «Avitrans» (OAO Avitrans)

Share in the charter capital of the issuer: 16,037

Proportion of ordinary shares held: 16,037

Full and abbreviated corporate name: OBA Enterprises Limited

Share in the charter capital of the issuer: 15,5

Proportion of ordinary shares held: 15,5

Date of drawing up the list of persons who have the right to attend the general meeting of shareholders (participants) of the issuer: **23.04.2001**

Full and abbreviated corporate name: Closed joint-stock company «Soyuz VS» (ZAO Soyuz VS)

Share in the charter capital of the issuer: 38,6098

Proportion of ordinary shares held: 38,6098

Full and abbreviated corporate name: Open joint-stock company «Avitrans» (OAO Avitrans)

Share in the charter capital of the issuer: 8,1922

Proportion of ordinary shares held: 8,1922

Full and abbreviated corporate name: OBA Enterprises Limited

Share in the charter capital of the issuer: 15,5

Proportion of ordinary shares held: 15,5

Date of drawing up the list of persons who have the right to attend the general meeting of shareholders (participants) of the issuer: **09.04.2002**

Full and abbreviated corporate name: Closed joint-stock company «Soyuz VS» (ZAO Soyuz VS)

Share in the charter capital of the issuer: 38,6110

Proportion of ordinary shares held: 38,6110

Full and abbreviated corporate name: OBA Enterprises Limited

Share in the charter capital of the issuer: 17,6037

Proportion of ordinary shares held: 17,6037

Full and abbreviated corporate name: Nikitas Brokerage Limited
Share in the charter capital of the issuer: 14,1312
Proportion of ordinary shares held: 14,1312

Date of drawing up the list of persons who have the right to attend the general meeting of shareholders (participants) of the issuer: **10.04.2003**

Full and abbreviated corporate name: Closed joint-stock company «Soyuz VS» (ZAO Soyuz VS)
Share in the charter capital of the issuer: 42,9003
Proportion of ordinary shares held: 42,9003

Full and abbreviated corporate name: Nikitas Brokerage Limited
Share in the charter capital of the issuer: 13,1082
Proportion of ordinary shares held: 13,1082

Full and abbreviated corporate name: Open joint-stock company «AVISMA Titanium and Magnesium Works» (OAO "АВИСМА")
Share in the charter capital of the issuer: 17,7025
Proportion of ordinary shares held: 17,7025

Date of drawing up the list of persons who have the right to attend the general meeting of shareholders (participants) of the issuer: **05.12.2003**

Full and abbreviated corporate name: Closed joint-stock company «Soyuz VS» (ZAO Soyuz VS)
Share in the charter capital of the issuer: 8,1595
Proportion of ordinary shares held: 8,1595

Full and abbreviated corporate name: Limited liability company «RENOVA-INVESTITSII» (OOO RENOVA-INVESTITSII)
Share in the charter capital of the issuer: 5,5941
Proportion of ordinary shares held: 5,5941

Full and abbreviated corporate name: Colbridge Limited
Share in the charter capital of the issuer: 20,0000
Proportion of ordinary shares held: 20,0000

Full and abbreviated corporate name: Colgrove Limited
Share in the charter capital of the issuer: 6,3526
Proportion of ordinary shares held: 6,3526

Full and abbreviated corporate name: Finecroft Limited
Share in the charter capital of the issuer: 11,2499
Proportion of ordinary shares held: 11,2499

Full and abbreviated corporate name: Maxbay Limited
Share in the charter capital of the issuer: 6,3517
Proportion of ordinary shares held: 6,3517

Full and abbreviated corporate name: Rockcastle Enterprises Limited
Share in the charter capital of the issuer: 5,0812
Proportion of ordinary shares held: 5,0812

Full and abbreviated corporate name: Winfair Limited
Share in the charter capital of the issuer: 10,4888
Proportion of ordinary shares held: 10,4888

Date of drawing up the list of persons who have the right to attend the general meeting of shareholders (participants) of the issuer: **29.03.2004**

Full and abbreviated corporate name: Deplex Limited
Share in the charter capital of the issuer: 20,0000
Proportion of ordinary shares held: 20,0000

Full and abbreviated corporate name: Finebond Limited
Share in the charter capital of the issuer: 20,0000
Proportion of ordinary shares held: 20,0000

Full and abbreviated corporate name: Osengo Investments limited
Share in the charter capital of the issuer: 12,0164
Proportion of ordinary shares held: 12,0164

Full and abbreviated corporate name: Coldsteam Limited
Share in the charter capital of the issuer: 10,0134
Proportion of ordinary shares held: 10,0134

Full and abbreviated corporate name: Multibrook Ltd
Share in the charter capital of the issuer: 10,0134
Proportion of ordinary shares held: 10,0134

6.6. Information on transactions with vested interest conducted by the issuer

Total of the transactions with vested interest – 1 (one).

Affiliation agreement of Open Joint-Stock Company «AVISMA Titanium and Magnesium Works» affiliation to Open Joint-Stock Company «Verkhnyaya Salda Metallurgical Production Association». Issuer's management organ that adopted the decision for transaction approval: general meeting of shareholders

Decision date: 21-09- 2004

Report No.: no number

Parties of the transaction – JSC «VSMPO» (Verkhnyay Salda, Sverdlovsk reg.);
JSC «AVISMA» (Berezniki, Perm reg.)

Subject of the agreement: reorganization by joining of JSC «AVISMA» to JSC «VSMPO» with transition of all rights and obligations of JSC «AVISMA» to JSC «VSMPO».

Essence of the agreement: in accordance with the agreement between JSC «AVISMA» and JSC «VSMPO», the parties are reciprocally engaged to act in order to perform reorganization procedure of JSC «AVISMA» affiliation to JSC «VSMPO». On the date of introducing into the Uniform State Register of Legal Entities the record regarding termination of JSC «AVISMA» activity, the floated shares of JSC «AVISMA», except the shares of those shareholders, that claimed for redemption of shares in accordance with articles 75 and 76 of Federal law «In respect of joint-stock companies» and those shares already redeemed, as well as shares held by JSC «AVISMA» and JSC «VSMPO», are converted in the following order– one nominal share of JSC «AVISMA» of nominal value of 20 kopecks is converted into two nominal shares of JSC «VSMPO» of nominal value of 1 (one) ruble, one preference share of JSC «AVISMA» of nominal value of 20 kopecks is converted into one nominal share of JSC «VSMPO», in the order stipulated by the affiliation agreement between JSC «AVISMA» and JSC «VSMPO».

6.7. Information on Accounts Receivable

Type of account receivable	Due date, '000 rubles, as of 1.10.2004
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	Less than 30 days	From 30 to 60 days	From 60 to 90 days	From 90 to 180 days	From 180 days to 1 year	More than 1 year
Total accounts receivable, including:	2 391954	1 632148	234424	234424	80201	144433
including:						
Overdue debts	747100	0	0	0	512676	168100
Buyers and customers	885377	302705		175194	407478	
Bill receivable	According to Order of RF Ministry of Finance dated 22 July 2003 No.67H "On Forms of Accounting Reports of Organizations", starting from 2003 this information is not included in accounting reports.					
Subsidiaries and dependent companies						
Participants (promoters) in terms of contributions to charter capital						
Prepayments						
Other debtors						

VII. Financial reports of the issuer and other financial information

7.1. Annual financial reports of the issuer

The annual financial reports of the issuer for the last completed financial year are included into the quarterly report for the first quarter.

7.2. Quarterly accounting reports of the issuer for the last full reporting quarter

The quarterly accounting reports of the issuer for the reporting quarter have been prepared in accordance with the requirements of the legislation of the Russian Federation.

The issuer's quarterly accounting reports include:

- a) Balance Sheet – form No.1
- b) Profit and Loss Account – form No.2

BALANCE SHEET

	Form No. 1 according to OKUD	Codes
As at 1 April 2004	Date (year, month, day)	710001
Organization: JSC VSMPO	OKPO	07510017
Taxpayer identification number	INN	6607000556
Type of activity: metallurgical production	OKVED	27.45
Legal-organizational form / form of ownership: Joint-stock company	KOPF/OKFS	47/34

Unit of measurement: '000 Rb.

OKEI 384

Location (address)

Verkhnyaya Salda, Sverdlovsk Oblast

ASSETS	Code of indicator	At beginning of reporting year	At end of reporting period
1	2	3	4
I. FIXED ASSETS			
Intangible assets	110	1266	1 125
Tangible assets	120	1966 585	2 107 076
Construction in progress	130	841 080	887 367
Income-bearing investments in tangible assets	135	0	0
Long-term financial investments	140	915 254	977 535
Deferred tax assets	145	69	69
Other fixed assets	150	0	0
TOTAL over Section I	190	3 724 254	3 937 172
II. CURRENT ASSETS			
Inventories Including:	210	3 888 810	4 909 846
Raw and other materials and other similar assets	211	907 946	1 265 386
livestock for breeding and fattening	212	0	0
work in progress	213	1 102 521	1 293 352
finished goods and goods for resale	214	925 828	1 127 542
goods in transit	215	944 258	1 217 861
prepaid expenses	216	8 257	5 705
other inventories and costs	217	0	0
Value added tax on assets acquired	220	517 178	578 765
Accounts receivable (due in more than 12 months after reporting date) including:	230	0	0
Buyers and customers	231	0	0
Accounts receivable (due within 12 months from reporting date) including:	240	1 724 344	2 391 954
Buyers and customers	241	678 887	885 377
Short-term financial investments	250	175 827	186
Cash	260	32 122	24 425
Other current assets	270	0	0
TOTAL over Section II	290	6 338 281	7 905 176
BALANCE	300	10 062 535	11 878 348

CAPITAL AND LIABILITIES	Code of indicator	At beginning of reporting year	At end of reporting period
1	2	3	4
III. CAPITAL AND RESERVES			
Charter capital	410	10 626	10 626
Own shares repurchased from shareholders	411	(0)	(0)
Paid-in surplus	420	1 359 991	1 359 991
Reserve capital including:	430	624	624
reserves formed in accordance with legislation	431	624	624
reserves formed in accordance with constituent documents	432	0	0
Retained profit (uncovered loss)	470	5 523 333	6 014 717
Including retained profit of the reporting year	471	0	989 219
TOTAL over Section III	490	6 894 574	7 766 948
IV. LONG-TERM LIABILITIES			
Loans and credits	510	0	0
Deferred tax liabilities	515	12 415	18 906
Other long-term liabilities	520	0	0
TOTAL over Section IV	590	12 415	18 906
V. SHORT-TERM LIABILITIES			
Loans and credits (66)	610	1 694 902	1 432 704
Accounts payable including:	620	1 446 225	1 807 570
suppliers and contractors	621	469 494	456 400
payroll	622	2 213	1 397
state extrabudgetary funds	623	43 302	36 071
taxes and duties	624	354 067	373 164
other creditors	625	577 149	940 538
Debts to participants (promoters) in terms of income payment	630	0	94 781
Deferred income	640	402	503
Reserves for prepaid expenses	650	14 017	756 936
Other short-term liabilities	660	0	0
TOTAL over Section V	690	3 155 546	4 092 494
BALANCE	700	10 062 535	11 878 348

INFORMATION ABOUT AVAILABILITY OF ASSETS, INCLUDED IN OFF-BALANCE ACCOUNTS

Name of indicator	Code of	At	At end of
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	indicator	beginning of reporting year	reporting period
1	2	3	4
Leased fixed assets	910	0	15 006
including under leasing agreements	911	0	14 549
Tangible assets received for custody	920	0	5
Goods accepted on commission	930	0	0
Written-off debts of insolvent debtors	940	5 676	130 803
Securities for obligations and payments received	950	0	0
Securities for obligations and payments issued	960	100	1 204 035
Wear and tear of housing	970	0	0
Wear and tear of improvements and other similar assets	980	0	0
Intangible assets received for use	990	0	0
Other	1 000	0	244 020

PROFIT AND LOSS ACCOUNT

		Codes
	Form No. 2 according to OKUD	710002
As at 1 April 2004	Date (year, month, day)	
Organization: JSC Verkhnyaya Salda Metallurgical Production Association	OKPO	7510017
Taxpayer identification number	INN	6607000556
Type of activity: metallurgical production	OKVED	27.45
Legal-organizational form / form or ownership: Joint-stock company	OKOPF/OKFS	47/34
Unit of measurement: '000 Rb.	OKEI	384
Address	Verkhnyaya Salda, Sverdlovsk Oblast.	

Indicator		For reporting period	For same period in previous year
Name	Code		
1	2	3	4
Income and expenses with regard to ordinary activities			
Proceeds (gross) from sales of goods, products, works and services (net of value added tax, excises and similar payments)	010	7 880 699	6 112 482
Cost of goods, products, works and services sold	020	5 458 916	3 760 812
Gross profit	029	2 421 783	2 351 670
Trade expenses	030	195 174	160 039
Management expenses	040	848 482	605 377

Profit (loss) from sales	050	1 378 127	1 586 254
Other income and expenses			
Interest receivable	060	1 560	36 820
Interest payable	070	62 203	75 314
Income from participation in other organizations	080	912	0
Other operating income	090	4 842 794	3 700 918
Other operating expenses	100	5 014 929	3 896 591
Extraordinary income	120	529 502	368 634
Extraordinary expenses	130	314 893	294 295
Profit (loss) before tax	140	1 360 879	1 424 426
Deferred tax assets	150	0	0
Deferred tax liabilities	160	6 490	0
Current tax on profit	170	365 170	387 985
Net profit (loss) for reporting period	190	989 219	1 036 441
For reference.			
Permanent tax liabilities (assets)	200	45 049	0
Base profit (loss) per share		0	0
Diluted profit (loss) per share		0	0

DESCRIPTION OF INDIVIDUAL PROFIT AND LOSS ITEMS

Indicator	For reporting period		For similar period of previous year			
	Name	Code	profit	loss	profit	loss
	1	2	3	4	5	6
Fines, penalties and forfeits acknowledged or for which court (arbitration court) resolutions on recovery thereof received		210	15	2 470	68	1 203
Profit (loss) for previous years		220	109 121	22 779	204 170	44 222
Recovery of damage caused by failure to meet or improper fulfillment of obligations		230	0	116	20	40
Exchange rate difference in operations involving foreign currency		240	82 473	60 861	118 169	59 254
Deductions to evaluation reserves		250	x	0	x	
Writing off accounts receivable and payable for which limitation period has expired		260 270	6	9 703	13 917	22 331

7.3. Consolidated accounting reports of the issuer for the last full financial year

The consolidated accounting reports of the issuer for the last full financial year is included in the quarterly report for the second quarter.

7.4. Information on total exports and the proportion of exports in total sales

Name of indicator	1999	2000	2001	2002	2003	2004 1st quarter	2004 2 nd quarter	2004 3 rd quarter
I. Income and expenses with regard to ordinary activities								
1. Proceeds (net) from sales of goods, products, works and services (net of VAT, excises and similar compulsory payments), '000 Rb.	3 298 051	4 624 299	7 346 341	8 768 747	8369550	23437 60	27057 53	28311 86
including								
2. Proceeds (net) from exports of goods, '000 Rb.	2 048 579	2 788 976	5 081 134	4 885 681	4510042	13082 76	16168 59	17135 89
3. Share of income from exports in total sales, %	62.1	60.3	69.2	55.7	53.9	55.8	59.8	61.59

7.5. Information on significant changes in the issuer's property which have taken place since the final date of the last full financial year

No substantial changes in the fixed assets of the issuer have taken place after the final date of the last full financial year till the final date of the reporting quarter.

7.6. Information on the participation of the issuer in litigations in cases where such participation could have a substantial effect on the financial and business activities of the issuer

The issuer has not taken part in any litigation which could have a substantial effect on the financial and business activities of the issuer.

VIII. Additional information on the issuer and emission securities placed by him

8.1. Additional information on the issuer

8.1.1. Information on size and structure of the charter (share) capital (share fund) of the issuer Size of the issuer's charter capital as at 01.04.2004: 10`625`600 rubles.

Breakdown of the issuer's charter capital by category of shares:

Ordinary shares: 10`625`600
Total par value: 10`625`600 rubles
Proportion in the charter capital: 100%
Preference shares: none
Total par value: none
Proportion in the charter capital: none

8.1.2. Information on changes in the size of the charter (share) capital (share fund) of the issuer
Size of the issuer's charter capital as at 01.01.1998: 4`157`004 rubles.

Breakdown of the issuer's charter capital by category of shares:

Ordinary shares: 4`157`004
Total par value: 4`157`004 rubles
Proportion in the charter capital: 100%
Preference shares: none
Total par value: none
Proportion in the charter capital: none

Size of the issuer's charter capital as at 06.04.1998: 8`314`008 rubles.

Breakdown of the issuer's charter capital by category of shares:

Ordinary shares: 8`314`008
Total par value: 8`314`008 rubles
Proportion in the charter capital: 100%
Preference shares: none
Total par value: none
Proportion in the charter capital: none

Name of the issuer's management organ which adopted the decision to change the size of the issuer's charter capital: general meeting of shareholders

Date and number of the minutes of the general meeting of shareholders at which the resolution to change the size of the issuer's charter capital was adopted: numberless, dated 16.01.1998

Size of the issuer's charter capital as at 22.05.1998: 11`806`008 rubles.

Breakdown of the issuer's charter capital by category of shares:

Ordinary shares: 11`806`008
Total par value: 11`806`008 rubles
Proportion in the charter capital: 100%
Preference shares: none
Total par value: none
Proportion in the charter capital: none

Name of the issuer's management organ which adopted the decision to change the size of the issuer's charter capital: Supervisory Board

Date and number of the minutes of the general meeting of shareholders at which the resolution to change the size of the issuer's charter capital was adopted: numberless, dated 23.04.1998

Size of the issuer's charter capital as at 12.07.2002: 10`625`600 rubles.

Breakdown of the issuer's charter capital by category of shares:

Ordinary shares: 10`625`600
Total par value: 10`625`600 rubles
Proportion in the charter capital: 100%
Preference shares: none
Total par value: none
Proportion in the charter capital: none

Name of the issuer's management organ which adopted the decision to change the size of the issuer's charter capital: general meeting of shareholders

Date and number of the minutes of the general meeting of shareholders at which the resolution to change the size of the issuer's charter capital was adopted: numberless, dated 24.05.2002

8.1.3. Information on the formation and use of reserve fund and other funds of the issuer

Name of fund: reserve fund

Size of the fund established by the constituent documents: in accordance with item 20.2. of the current Edition of the Charter, the Company shall create a reserve fund in the amount of 25 percent of the Company's charter capital.

Size of the fund in monetary terms as at 01.10.2004: 623`551 rubles

Size of the fund as a percentage of the charter capital: 5,9

8.1.4. Information on the procedure for convocation and transaction of a general meeting (session) of the supreme management organ of the issuer

Name the supreme management organ of the issuer: general meeting of shareholders

Notification of shareholders concerning a general meeting of the supreme management organ of the issuer:

Notice of a general meeting of shareholders shall be served not later than 20 days, and notice of a general meeting the agenda of which contains an issue of reorganization of the Company not later than 30 days before the date of the general meeting.

Within the above specified periods of time notice of a general meeting of shareholders shall be published in the publication the "Novator" newspaper, and also within the above specified periods of time notice of a general meeting of shareholders shall be served by a registered letter or personally against signature on each person indicated in the list of persons who are entitled to participate in the general meeting.

The company shall have the right to additionally notify shareholders of a general meeting of shareholders through mass media (TV, radio) and also through the Internet.

Persons (organs) which shall have the right to call (requisition) an extraordinary meeting of the supreme management organ:

An extraordinary general meeting of shareholders may be held by decision of the Supervisory Board at its own initiative, the requisition of the Internal Auditing Committee, the auditor of the Company, and also shareholders (shareholder) who hold not less than 10 percent of the voting shares of the Company as of the date on which the requisition is lodged.

The convocation of an extraordinary general meeting of shareholders at the requisition of the Internal Auditing Committee, the auditor of the Company or shareholders (shareholder) who hold not less than 10 percent of the voting shares of the Company shall be effectuated by the Supervisory Board.

The procedure for setting the date of a meeting of the supreme management organ of the issuer:

The Company shall hold an annual general meeting of shareholders every year on a date which is not earlier than 2 months and not later than 6 months after the final date of the financial year.

The convocation of annual and extraordinary general meetings of shareholders, except for cases provided for by item 8, Article of 55 of the Federal Law "On Joint-Stock Societies" is relegated to the competence of the Supervisory Board.

Persons who have the right to make proposals for the agenda of the meeting of the supreme management organ of the issuer, and the procedure for submission of such proposals:

Shareholders (shareholder) who hold together not less than 2 percent of the voting shares of the Company have the right to propose questions for the agenda of the annual general meeting shareholders.

Such proposals shall be received by the Company not later than 30 days after the end of the financial year.

A proposal to include a question into the agenda of a general meeting of shareholders shall contain the formulation of each question proposed.

A proposal to include questions into the agenda of a general meeting of shareholders may contain the formulation of a resolution for each question proposed.

Proposals concerning the inclusion of questions into the agenda of a general meeting of shareholders and the nomination of candidates shall be presented in writing with indication of the name of the shareholders (shareholder) who have presented them, the numbers and categories (types) of shares held by them and shall be signed by these shareholders (shareholder).

The Supervisory Board shall consider all proposals submitted and make a decision to include them into the agenda of the general meeting of shareholders or to refuse to include them into the agenda not later than 5 days after the end of the period established by the Charter for submission of proposals for the

agenda of an annual general meeting of shareholders and nomination of candidates for the Supervisory Board and for the Internal Auditing Committee, and also a candidate for the post of Director-General . A question proposed by shareholders (shareholder) is subject to inclusion into the agenda of a general meeting of shareholders and nominated candidates are subject to inclusion into the list of nominees for voting for elections to relevant organs of the Company, except for cases where:

- shareholders (shareholder) have failed to observe the deadlines established by the Charter for submission of questions for the agenda and nomination of candidates for an annual general meeting of shareholders;
- shareholders (shareholder) have failed to observe the deadlines established by the Charter for nominating candidates for election as members of the Supervisory Board at an extraordinary general meeting of shareholders;
- shareholders (shareholder) do not hold the number of voting shares in the Company as provided for in items 1 and 2, Article 53 of the Federal Law "On Joint-Stock Societies";
- the proposal does not correspond to the requirements provided for in items 3 and 4, Article 53 of the Federal Law "On Joint-Stock Societies" and to the requirements of the Charter based on the above law;
- the question proposed for inclusion into the agenda of a general meeting of shareholders is not relegated to its competence by the law and the Charter and (or) does not correspond to the requirements of the Federal Law "On Joint-Stock Societies" and other legal acts of the Russian Federation.

A reasoned resolution of the Supervisory Board to refuse to include a proposed question into the agenda of a general meeting of shareholders or a candidate into the list of nominees for voting in elections to corresponding body of the Company shall be sent to the shareholders (shareholder) who brought in the question or put forward the candidate not later than 3 days from the date on which it was received.

The Supervisory Board has no right to make changes in the formulations of questions proposed for inclusion into the agenda of a general meeting of shareholders, and the formulations of decisions concerning such questions.

In addition to questions proposed by shareholders for inclusion into the agenda of a general meeting of shareholders, and also in case no such proposals have been put forward or no candidate or an insufficient number of candidates have been nominated by shareholders for forming a corresponding organ, the Supervisory Board has the right to include questions into the agenda of a general meeting of shareholders or candidates into the list of nominees at its discretion.

Persons who have the right to access information (materials) made available for preparation and transaction of a meeting of the supreme management organ of the issuer, and also the procedure for gaining access to such information (materials):

In accordance with the Federal Law «On Joint-Stock Societies», relegated to such persons are those who have the right to participate in a general meeting of shareholders.

The list of persons who have the right to participate in a general meeting of shareholders is drawn up on the basis of data contained in the register of shareholders of the Company.

The procedure for gaining access to information made available for preparation of a meeting of shareholders: at the location of the executive organs of the Company; during the general meeting of shareholders at the place where it is held; in other places specified in the notice of the general meeting of shareholders; at shareholder's request during not more than five days, and in such cases payment for copies shall not exceed the cost of making them; at the office of the one-person executive organ.

8.1.5. Information on commercial organizations in which the issuer holds not less than 5 percent of the charter (share) capital (share fund) or not less than 5 percent of ordinary shares

«TIRUS HOLDING» Limited Liability Company («TIRUS HOLDING» LLC)

Location: Viktor Ambartsumyan Str. 18, ap. 8, Yerevan, 375033, Armenia

Issuer's participatory share in charter capital of subsidiary: 100%

Proportion of ordinary shares in subsidiary which belong to issuer: 100%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

No board of directors is provided for by the charter of the company.

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Retanova Lyudmila Anatolyevna, b. 1964.

Participatory share of Retanova L.A. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Retanova L.A.: 0

The Registrar has no information as at 01.07.2004 concerning the holding of shares by Retanova L.A. who accounts for her securities through nominal holders.

Full and abbreviated corporate name:

Limited liability company "Tirshop" (OOO Tirshop)

Location: Engels Str. 36, Verkhnyaya Salda, Sverdlovsk Oblast, 624760 Russia.

Issuer's participatory share in charter capital of subsidiary: 70%

Proportion of ordinary shares in subsidiary which belong to issuer: 70%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

No board of directors is provided for by the charter of the company.

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Golovanova Tatyana Nikolaevna, b. 1954.

Participatory share of Golovanova T.N. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Golovanova T.N.: 0

Full and abbreviated corporate name:

Closed joint-stock company «Titan» Firm (ZAO TD «Titan»)

Location: Engels Str. 61, Verkhnyaya Salda, Sverdlovsk Oblast, 624760, Russia.

Issuer's participatory share in charter capital of subsidiary: 70%

Proportion of ordinary shares in subsidiary which belong to issuer: 70%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

Chernova Galina Vladimirovna, b. 1959

Participatory share of Chernova G.V. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Chernova G.V.: 0

Panteleyeva Tatyana Maksimovna, b. 1960.

Participatory share of Panteleyeva T.M. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Panteleyeva T.M.: 0

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Chernova Galina Vladimirovna, b. 1959.

Participatory share of Chernova G.V. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Chernova G.V.: 0

Full and abbreviated corporate name:

Open Joint Stock Company «AVISMA Titanium-Magnesium Works» (JSC «AVISMA»)

Location: Zagorodnaya Str. 1, Berezniki, Perm Oblast, 618421, Russia.

Issuer's participatory share in charter capital of subsidiary: 42,06%

Proportion of ordinary shares in subsidiary which belong to issuer: 56,08%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

Besedin Vasily Aleksandrovich (chairman of the Board of Directors), b. 1953.

Participatory share of Besedin V.A. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Besedin V.A.: 0

Sementsov Alexander Vladimirovich, b. 1966

Participatory share of Sementsov A.V. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Sementsov A.V.: 0

Korkin Nikolay Pavlovich, b. 1950.

Participatory share of Korkin N.P. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Korkin N.P.: 0

Trifonov Victor Ivanovich, b. 1950

Participatory share of Trifonov V.I. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Trifonov V.I.: 0

Shalaev Mikhail Nikolaevich, b. 1954.

Participatory share of Shalaev M.N. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Shalaev M.N.: 0

Ol'khovik Eugeny Nikolaevich, b. 1955

Participatory share of Ol'khovik E.N. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Ol'khovik E.N.: 0

Membership of collegial executive organ (board, directors):

Tankeyev Vladimir Petrovich, b. 1938

Participatory share of Tankeyev V.P. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Tankeyev V.P.: 0

Styrnikov Yury Nikolaevich, b. 1952

Participatory share of Styrnikov Yu.N. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Styrnikov Yu.N.: 0

Ovchinnikov Sergey Evgenjevich, b. 1952

Participatory share of Ovchinnikov S.E. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Ovchinnikov S.E.: 0

Sizikov Igor Anatolyevich, b. 1964

Participatory share of Sizikov I.A. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Sizikov I.A.: 0

Bragina Elena Gennadyevna, b. 1959

Participatory share of Bragina E.G. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Bragina E.G.: 0

Vydrina Liubov Valentinovna, b. 1950
Participatory share of Vydrina L.V. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Vydrina L.V.: 0

Gorban Vyacheslav Ivanovich, b. 1954
Participatory share of Gorban V.I. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Gorban V.I.: 0

Yefimov Alexander Vasilyevich, b. 1953
Participatory share of Yefimov A.V. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Yefimov A.V.: 0

Potekha Sergey Ivanovich, b. 1953
Participatory share of Potekha S.I. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Potekha S.I.: 0

Filippova Tatyana Gennadyevna, b. 1963
Participatory share of Filippova T.G. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Filippova T.G.: 0

Noskova Tatyana Evgenyevna, b. 1949
Participatory share of Noskova T.E. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Noskova T.E.: 0

Kashkarov Igor Aleksandrovich, b. 1966
Participatory share of Kashkarov I.A. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Kashkarov I.A.: 0

Nikulin Pavel Alekseyevich, b. 1938
Participatory share of Nikulin P.A. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Nikulin P.A.: 0

Vasilyev Gennady Pavlovich, b. 1951
Participatory share of Vasilyev G.P. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Vasilyev G.P.: 0

Agalakov Vadim Vladimirovich, b. 1956
Participatory share of Agalakov V.V. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Agalakov V.V.: 0

Rymkevich Dmitry Anatolyevich, b. 1968
Participatory share of Rymkevich D.A. in issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Rymkevich D.A.: 0

Person who performs the function of one-person executive organ:

Tetyukhin Vladislav Valentinovich, b. 1932
Participatory share of Tetyukhin V.V. in issuer's charter capital: 0,0012
Proportion of ordinary shares of the issuer held by Tetyukhin V.V.: 0,0012

Full and abbreviated corporate name:

Open joint-stock company «Ural» (OAO Ural)

Location: 1, Parkovaya Str., Verkhnyaya Salda, Sverdlovsk Oblast, 624760, Russia.

Issuer's participatory share in charter capital of subsidiary: 51%

Proportion of ordinary shares in subsidiary which belong to issuer: 51%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

Shagovaleyev Vladimir Alekseevich, b. 1950

Participatory share of Shagovaleyev V.A. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Shagovaleyev V.A.: 0

Lomko Alexey Petrovich, b. 1976

Participatory share of Lomko A.P. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Lomko A.P.: 0

Semenov Alexander Evgenjevich,

Participatory share of Semenov A.E. in issuer's charter capital: 0,0046

Proportion of ordinary shares of the issuer held by Semenov A.E.: 0,0046

Odinokikh Victor Vasilyevich (chairman of the Board of Directors), b. 1949

Participatory share of Odinokikh V.V. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Odinokikh V.V.: 0

Shashkina Nadezhda Nikolayevna, b. 1974

Participatory share of Shashkina N.N. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Shashkina N.N.: 0

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Shagovaleyev Vladimir Alekseyevich, b. 1950

Full and abbreviated corporate name:

Closed joint-stock company «Medical Insurance Company «Tirus-Medservis» (ZAO MSK «Tirus-Medservis»)

Location: Molodezhny Poselok 105, Verkhnyaya Salda, Sverdlovsk Oblast, 624760, Russia.

Issuer's participatory share in charter capital of subsidiary: 31,4%

Proportion of ordinary shares in subsidiary which belong to issuer: 31,4%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

No board of directors is provided for by the charter.

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Oks Igor Mikhaylovich, b. 1953

Participatory share of Oks I.M. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Oks I.M.: 0

Full and abbreviated corporate name:

Limited liability company «Insurance Company «Salda-ASKO» (OOO «Insurance Company «Salda-ASKO»)

Location: Engels Str. 71A, Verkhnyaya Salda, Sverdlovsk Oblast, 624760, Russia.

Issuer's participatory share in charter capital of subsidiary: 14%

Proportion of ordinary shares in subsidiary which belong to issuer: 14%

Subsidiary's participatory share in issuer's charter capital: 0
Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

No board of directors is provided for by the charter.

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Oks Igor Mikhaylovich, b. 1953

Participatory share of Oks I.M. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Oks I.M.: 0

Full and abbreviated corporate name:

Open joint-stock company «Tekhnolog» (OAO Tekhnolog)

Location: Onezhskaya Str. 24/1, Moscow ,125413, Russia.

Issuer's participatory share in charter capital of subsidiary: 50,06%

Proportion of ordinary shares in subsidiary which belong to issuer: 50,06%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

Gorbunova Marina Yurievna, b. 1963

Participatory share of Gorbunova M.Yu. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Gorbunova M.Yu.: 0

Zvereva Marina Victorovna, b. 1961

Participatory share of Zvereva M.V. in issuer's charter capital: 0,0001

Proportion of ordinary shares of the issuer held by Zvereva M.V.: 0,0001

Kosarev Alexander Leonidovich, b. 1948

Participatory share of Kosarev A.L. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Kosarev A.L.: 0

Liokumovich Anatoly Khatskelevich, b. 1943

Participatory share of Liokumovich A.Kh. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Liokumovich A.Kh.: 0

Marokhin Sergey Mikhaylovich, b. 1958

Participatory share of Marokhin S.M. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Marokhin S.M.: 0

Tikhomirov Mikhail Filipovich, b. 1947

Participatory share of Tikhomirov M.F. in the issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Tikhomirov M. F.: 0

Sidorenko Pavel Vladimirovich, b. 1963

Participatory share of Sidorenko P.V. in the issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Sidorenko P.V.: 0

Shemyakin Anatoly Gavrilovich, b. 1953

Participatory share of Shemyakin A.G. in the issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Shemyakin A.G.: 0

Lebedev Andrey Borisovich, b. 1956

Participatory share of Lebedev A.B. in the issuer's charter capital: 0
Proportion of ordinary shares of the issuer held by Lebedev A.B.: 0

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Shein Yefim Yelizarovich, b. 1945

Participatory share of Shein E.E. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Shein E.E.: 0

Full and abbreviated corporate name:

Limited liability company «Tirus» Firm (OOO «TD Tirus»)

Location: Parkovaya Str. 1, Verkhnyaya Salda, Sverdlovsk Oblast, 624760, Russia.

Issuer's participatory share in charter capital of subsidiary: 100%

Proportion of ordinary shares in subsidiary which belong to issuer: 100%

Subsidiary's participatory share in issuer's charter capital: 0

Proportions of issuer's ordinary shares belonging to subsidiary: 0

Membership of the board of directors (supervisory board):

No board of directors is provided for by the charter.

Membership of collegial executive organ (board, directors):

No collegial executive organ is provided for by the charter.

Person who performs the function of one-person executive organ:

Kulik Sergey Petrovich, b. 1957

Participatory share of Kulik S.P. in issuer's charter capital: 0

Proportion of ordinary shares of the issuer held by Kulik S.P.: 0

8.1.6. Information on major transactions conducted by the issuer

Major transactions accomplished by the issuer the size of obligations under which amounts to 10 and more percent of the balance sheet value of the issuer's assets according to his financial reports for the last full reporting period preceding the date of such transactions have not been registered.

8.1.7. Information on the credit ratings of the issuer

No credit rating (ratings) have been given to the issuer and/or issuer's securities.

8.2. Information on each category (type) of shares of the issuer

Categories of shares of three issues: ordinary

Par value of each share: 1 ruble

Number of shares in circulation: 10`625`600

Number of shares accounted for by the issuer in his balance sheet: 10`625`600

State registration number of the first issue: 62-1П-189

Date of state registration: 28.04.1993

State registration number of the second issue 1-02-30202-D

Date of state registration: 6.04.1998

State registration number of the third issue 1-03-30202-D

Date of state registration: 22.05.1998

The Company has the right to place, in addition to the already placed shares, the following categories of shares (declared shares):

Preference shares numbering 2`500`000 (two million five hundred thousand) at a par value of each share of 1 ruble.

Declared preference shares shall grant the following rights:

the right to receive dividend every year in the amount of 2.25 of the par value of the share;
preferential right as compared with ordinary shares to receive accumulated but not paid dividends;
preferential right to receive part of the price of the property (liquidation cost) on preference shares remaining after liquidation of the Company.

Rights granted by shares to their holders:

General rights of holders of shares of all categories (types):

- to dispose of the shares which they hold without the consent of the other shareholders and the Company in the procedure provided for by the Charter;
- the shareholders of the Company who voted against or did not take part in the voting with regard to the placement by closed subscription of shares and emission securities convertible into shares have a priority right to purchase additional shares and emission securities convertible into shares placed by means of closed subscription in quantities proportional to the quantity of shares of this category (type) belonging to them.

This right shall not apply to the placement of shares and other emission securities convertible into shares carried out by means of closed subscription only among shareholders, if shareholders have a possibility to purchase an integer number of such shares and other issue securities convertible in shares in proportion to number of shares of a corresponding category (type) belonging to them;

- to receive part of net profit (dividends) subject to distribution among the shareholders in the procedure provided for by the law and the Charter depending on the category (type) of shares belonging to him;
- to receive part of the property of the Company (liquidation quota) remaining upon liquidation of the Company in proportion to the number of shares of a corresponding category (type) held by him;
- to have access to the documents of the Company in the procedure provided for by the law and the Charter, and to receive copies thereof for a charge;
- to delegate all or some of the rights granted by a share of corresponding category (type) to a representative (representatives) based on power of attorney;
- to exercise other rights provided for by the legislation of the Russian Federation, the Charter and resolutions of the general meeting of shareholders adopted within its competence.

Ordinary shares:

Each ordinary share of the Company has the same par-value and grants shareholders who own them the same rights.

The ordinary shares of the Company are voting shares with regard to all questions within the competence of the general meeting.

Shareholders who own ordinary shares of the Company may, according to the Federal Law "On Joint-Stock Societies", participate in general meetings of shareholders with a vote with regard to all questions which are within its competence.

Shareholders who own ordinary shares have the right to receive dividends but only after the holders of preference shares, the size of dividends for which is determined in the Charter of the Company.

Shareholders who own ordinary shares participate in the distribution of property in case of liquidation of the Company enjoying third priority after payments on shares which should be redeemed first, after payment of accumulated but not paid dividends on preference shares and part of the price of the property (liquidation cost) remaining upon liquidation of the Company on preference shares (second priority).

Preference shares:

The preference shares of the Company of one type have the same par-value and grant shareholders who own them the same rights.

Shareholders who own preference shares have the right to take part in general meetings the Company without a vote except for cases provided for by the current legislation of the Russian Federation and the Charter.

A shareholder who owns preference shares participates in general meetings of shareholders with a vote in the event of resolving the issue of reorganization of the Company.

A shareholder who owns preference shares has the preferential right in comparison with holders of ordinary shares with regard to receipt of:

- dividends in amounts and the procedure provided for by the present Charter;
- accrued but not paid dividends at liquidation of the Company;

part of the price of the Company's property (liquidation cost) remaining upon its liquidation. The size of annual dividend on one preference share is determined at a rate of 9 par-values of one preference share.

Voting shares:

The voting share is a share giving the shareholder who owns it a vote with regard to all issues which are within the competence of the general meeting or individual issues provided for by the Federal Law. A share gives a vote with regard to all issues which are within the competence of the general meeting if it is:

a fully paid up ordinary share except for shares which are at the Company's disposal;

a preference share the amount of dividend on which is determined in the Charter starting from the annual general meeting at which, irrespective of reasons therefore, no decision to pay dividends was adopted or the decision was to pay part of the dividends on preference shares. The right of shareholders who own preference shares to participate in general meetings shareholders with a vote ceases to be effective from the moment of payment of dividends on these shares in full amount.

A preference share of any type gives a vote in deciding the issue of reorganization and liquidation of the Company.

A preference share of a certain type grants a vote in deciding an issue of making alterations in and amendments to the Charter limiting the rights of shareholders who own preference shares of this type, including cases of determination or increase of the amount of dividend and (or) determination or increase of the liquidation cost paid on preference shares of the preceding priority and cases of granting shareholders who own preference shares of another type advantages in the order of priority for receipt of dividends and (or) the liquidation cost of the shares.

Shares voting on all issues which are within the competence of the general meeting of shareholders grant their owners the following rights:

- to take part in attendee or absentee voting at general meetings with regard to all issues within its competence;
- to nominate candidates and to elect them to the organs of the Company in the procedure and on conditions established by the law and the Charter;
- to make proposals for the agenda of an annual general meeting of shareholders in the procedure and on conditions provided for by the law and the Charter;
- to elect the working bodies of the meeting in cases provided for by the Charter;
- to requisition the convocation of an extraordinary general meeting of shareholders, an audit of the financial and economic activities of the Company by the Internal Auditing Committee of the Company in the procedure and on conditions provided for by the law and the Charter;
- to demand the repurchasing of all or some of the shares belonging to them by the Company in the procedure and cases provided for by the Federal Law "On Joint-Stock Societies ";
- to requisition the convocation of a meeting of the Supervisory Board in the procedure and on conditions provided for by the Charter.

Preference shares voting only on certain questions within the competence of the general meeting of shareholders give their owners the right:

- to take part in attendee or absentee voting at general meetings only with regard to individual questions;
- to demand that the Company repurchases all or some of the shares belonging to them in cases provided for by the Federal law.

8.3. Information on previous issues of emission securities by the issuer except for shares

No issues of emission securities have been effectuated by the issuer except for securities.

8.3.1. Information on issues for all securities of which have been redeemed (cancelled)

8.3.2. Information on issues the securities of which are in circulation

8.3.3. Information on issues with regard to which the issuer's obligations have not been discharged (default)

8.4. Information on person (persons) who have provided security for debenture stock

No debentures have been issued.

8.5. Terms and conditions for discharge of obligations under issued debenture stock

No debentures have been issued.

8.6. Information in organizations which keep records of rights to emission securities of the issuer

Full and abbreviated name of the Registrar:

Open joint-stock company «Central Moscow Depository» (JSC «TsMD»)

Location: Orlikov per. 3B, Moscow, 107078, Russia

Mailing address: Olkhovskaya Str. 22, Moscow, 107066, Russia

License No. 10-000-1-00255 dated 13.09.2002

Effective term of the license: without limit of term

Issuing agency: Federal Securities Commission of the Russian Federation.

No unitized custody of the issuer's security in the reporting quarter has been accomplished.

8.7. Information about legal acts regulating issues of import and export of capital which may affect the payment of dividends, interest and other payments to non-residents

- Civil Code of the Russian Federation
- Law of the Russian Federation dated 09.10.1992 No.3615-1 «On Currency Regulation and Currency Control»
- Resolution of the Government of the Russian Federation dated 24.09.2002 No.699 «On Procedure for Issuing Permits to Non-Residents for Delay of Payment for a Period of More than 90 Days with Regard to Export of Goods (Works, Services, Results of Intellectual Activity)».
- Instruction of the Central Bank of the Russian Federation and the State Customs Committee of the Russian Federation dated 04.10.2000 No.91-И and No.01-11/28644 «On Procedure for Exercising Currency Control over the Validity of Payment for Imported Goods to Residents»
- Instruction of the Central Bank of the Russian Federation and the State Customs Committee of the Russian Federation dated 13.10.1999 No.86-И No.01-23/26541 « On Procedure for Currency Control over Receipt of Proceeds from Export of Goods in the Russian Federation»

8.8. Description of the procedure for taxation of income issuer's emission securities placed and being placed

The procedure and conditions of taxation of physical persons (both who are taxable residents of the Russian Federation and who are not but who receive income from sources in the Russian Federation) tax on income as dividends and interests received from securities issuer, and income from realization of shares and other securities of the issuer in the Russian Federation or outside it are determined by item 214.1 of the Tax Code of the Russian Federation.

The rates of corresponding taxes are determined by item 224 of the Tax Code of the Russian Federation.

The procedure and conditions of taxation of legal persons (both Russian organizations and foreign organizations conducting activities in the Russian Federation through permanent missions and/or receiving income from sources in the Russian Federation) with regard to tax on profit calculated allowing for income received by the organization from realization of securities is determined by item 275 of the Tax Code of the Russian Federation.

The rates of corresponding taxes are determined by item 284 of the Tax Code of the Russian Federation.

8.9. Information on announced (accumulated) and paid dividends on shares of the issuer and income from debentures of the issuer

No dividends have been paid on shares.
The issuer has not issued debentures.

8.10. Other information

There is no other information about the issuer and his securities.