JOINT STOCK COMPANY “DOROGOBUZH”

International Accounting Standard No. 34

Consolidated Condensed Interim (nine months) Financial Information (unaudited)

30 September 2008

Contents

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Balance Sheet
as at 30 September 2008 (unaudited) and 31 December 2007
(all amounts are presented in thousands of Russian Roubles)

	Note	30 September 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	7	4,006,778	3,355,216
Goodwill		52,068	52,068
Other non-current assets		212,066	163,389
Available-for-sale investments	8	3,884,992	5,266,912
Long-term loans receivable		366,300	55,000
Total non-current assets		**8,522,204**	**8,892,585**
Current assets			
Inventories		1,123,475	868,889
Other current assets		276,573	21,560
Short-term loans receivable		274,083	130,000
Accounts receivable	6	1,651,880	1,011,305
Dividends receivable		309,870	47,925
Cash and cash equivalents	5	193,544	350,760
Total current assets		**3,829,425**	**2,430,439**
TOTAL ASSETS		**12,351,629**	**11,323,024**
EQUITY			
Share capital		1,735,359	1,735,359
Share premium		93,794	93,794
Retained earnings		3,675,966	2,220,311
Revaluation reserve		2,931,610	3,970,103
Share capital and reserves attributable to the Company's equity holders		**8,436,729**	**8,019,567**
Minority interest		652	2,819
TOTAL EQUITY		**8,437,381**	**8,022,386**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	399,096	76,429
Other long-term liabilities		45,112	45,112
Deferred tax liability		1,256,638	1,479,120
Total non-current liabilities		**1,700,846**	**1,600,661**
Current liabilities			
Accounts payable	9	1,102,055	286,859
Current income tax payable		6,887	30,338
Other taxes payable		181,835	130,335
Short-term borrowings	10	842,387	932,480
Advances received		80,238	319,965
Total current liabilities		**2,213,402**	**1,699,977**
TOTAL LIABILITIES		**3,914,248**	**3,300,638**
TOTAL LIABILITIES AND EQUITY		**12,315,629**	**11,323,024**

Approved for issue and signed on behalf of the Board of Directors on 14 November 2008.

I. N. Antonov
President

N. I. Sluzhenikina
Chief Accountant

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Income
for the nine months ended 30 September 2008 and 30 September 2007(unaudited)
(all amounts are presented in thousands of Russian Roubles)

	Note	Nine months ended 30 September 2008	30 September 2007
Revenue		8,372,082	5,465,778
Cost of sales		(3,674,742)	(3,161,905)
Gross profit		**4,697,340**	**2,303,873**
Transportation services		(562,668)	(339,817)
Selling, general and administrative expenses		(504,800)	(855,416)
Loss on disposal of property, plant and equipment, net		14,300	(14,766)
Other operating expenses		38,064	(29,576)
Operating profit		**3,682,236**	**1,064,298**
Finance income		457,465	133,528
Interest expense		(78,018)	(91,109)
Profit before taxation		**4,061,683**	**1,106,717**
Income tax expense	12	(961,199)	(273,583)
Net profit for the period		**3,100,484**	**833,134**
Net profit is attributable to:			
Equity holders of the Company		3,098,317	833,134
Minority interest		2,167	-
Net profit for the period		**3,100,484**	**833,134**
Earnings per ordinary share for profit for the year attributable to the equity holders of the Company, basic and diluted (expressed in RR per share)	11	3.54	0.95
Earnings per preference share for profit for the year attributable to the equity holders of the Company, basic and diluted (expressed in RR per share)	11	3.54	0.95

(all amounts are presented in thousands of Russian Roubles)

	Note	Nine month ended 30 September 2008	30 September 2007
Cash flows from operating activities			
Profit before taxation		4,061,683	1,106,717
Adjustments for:			
Depreciation and amortization	7	188,361	166,014
Reversal of impairment of accounts receivable	6	(6,600)	20,422
Decrease)/Increase in provision for write-down on inventory		6,469	2,614
Loss on disposal of property, plant and equipment		(14,300)	57,318
Interest expense		78,018	76,366
Other income		(457,465)	(93,785)
Foreign exchange effect on non-operating balances		67,808	(15,560)
Operating cash flows before working capital changes		**3,923,974**	**1,320,106**
Decrease/(Increase) in gross trade receivables		(895,920)	271,264
Increase in inventories		(261,055)	31,304
Increase / (decrease) in trade payables		230,718	(232,998)
Increase / (decrease) in advances from customers		(239,727)	(130,678)
(Decrease)/Increase in other current assets		(303,690)	(65,107)
Net change in other non-current assets and liabilities		275,328	60,209
Cash provided from operations:		**2,729,628**	**1,254,100**
Income taxes paid		(893,653)	(328,585)
Interest paid		(62,123)	(73,715)
Net cash generated from operating activities:		**1,773,852**	**851,800**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(845,651)	(235,785)
Disposal of property, plant and equipment		20,028	44,489
Loans provided		(455,383)	(227,500)
Interest received		20,951	17,576
Dividends received		212,953	43,478
Purchase of available-for-sale investments		(62,546)	-
Proceeds from sale of available-for-sale investments		78,028	-
Net cash used in investing activities:		**(1,031,620)**	**(357,742)**
Cash flows from financing activities:			
Dividends paid		(1,061,348)	(86)
Proceeds from borrowings	10	2,060,945	282,823
Repayment of borrowings	10	(1,899,045)	(933,858)
Net cash provided from (used in) financing activities		**(899,448)**	**(651,121)**
Net decrease in cash and cash equivalents		**(157,216)**	**(157,063)**
Cash and cash equivalents at the beginning of the year		**350,760**	**458,855**
Cash and cash equivalents at the end of the year		**193,544**	**301,792**

Stock Company "Dorogoduzh"
Consolidated Condensed Interim Statement of Changes in Equity
for the nine months ended 30 September 2008 and 30 September 2007 (unaudited)
(all amounts are presented in thousands of Russian Roubles)

	Share capital and reserves attributable to the Company's equity holders					
	Share capital	**Share premium**	**Retained earnings**	**Revaluation reserve**	**Minority interest**	**Total equity**
Balance at 1 January 2007	**1,735,359**	**93,794**	**860,320**	**2,092,624**	-	**4,782,097**
Fair value gains on available-for-sale investments (Note 8)	-	-	-	(41,689)	-	(41,689)
Income tax recorded in equity	-	-	-	10,005	-	10,005
Net income recognized directly in equity	-	-	-	(31,684)	-	(31,684)
Profit for the period	-	-	833,134	-	-	833,134
Total recognized income	-	-	833,134	(31,684)	-	801,450
Dividends declared	-	-	-	-	-	-
Balance at 30 September 2007	**1,735,359**	**93,794**	**1,693,454**	**2,060,940**	**-**	**5,583,547**
Balance at 1 January 2008	**1,735,359**	**93,794**	**2,220,311**	**3,970,103**	**2,819**	**8,022,386**
Fair value gains on available-for-sale investments (Note 8)	-	-	-	(1,366,438)	-	(1,366,438)
Income tax recorded in equity	-	-	-	327,945	-	327,945
Net income recognized directly in equity	-	-	-	(1,038,493)	-	(1,038,493)
Profit for the period	-	-	3,102,651	-	(2,167)	3,100,484
Total recognized income	-	-	3,102,651	(1 038 493)	(2,167)	2,061,991
Dividends declared	-	-	(1,646,996)	-	-	(1,646,996)
Balance at 30 September 2008	**1,735,359**	**93,794**	**3,675,966**	**2,931,610**	**652**	**8,437,381**

1 Dorogobuzh Group and Its Operations

This unaudited consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the nine months ended 30 September 2008 for Joint Stock Company "Dorogobuzh" (the "Company" or "Dorogobuzh") and its subsidiaries (together referred to as the "Group" or "Dorogobuzh Group").

The Group's principal activities include the manufacture, distribution and sales of chemical fertilisers and related by-products. The Group's manufacturing facilities are primarily based in the Smolenskaya oblast of Russia. Dorogobuzh was incorporated as a joint stock company on 27 July 1994. On that date the majority of assets and liabilities previously managed by the state were transferred to the Company. The transfer of assets and liabilities was made in accordance with Decree No. 721 on the privatisation of state companies approved on 1 July 1992.

The Group's parent company os JSC "Acron" (Russian Federation). The Group's ultimate parent is Subero Associates Inc (British Virgin Islands) (2007: Subero Associates Inc). As at 30 September 2008 and 31 December 2007 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

The Company's registered office is Verkhnedneprovsky, Smolenskaya oblast, 215753, Russia.

Financial and operating activities of the Group are subject to certain seasonal factors. Usually the Group's sales decrease in the second and third quarters, which is connected with decreased demand due to the end of sowing season at key Group's markets being Russia and China. The Group utilizes this period for capital and current repairs of its production facilities. The Group's policy to decrease volatility of sales from seasonal factors is aimed at diversification of overseas customers and range of products as well as on-demand production.

2 Basis of Presentation

This consolidated condensed interim financial information for the nine months ended 30 September 2008 has been prepared in accordance with IAS 34, *Interim Financial Reporting*. This consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2007.

3 Accounting Policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2007, as described in the consolidated financial statements for the year ended 31 December 2007.

In addition, the following revised and issued standards were adopted in accordance with their transitional provisions and effective dates:

- IFRIC 11, IFRS 2 – *Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 14, IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008);

These standards and interpretations have not significantly affected the Group's financial information. The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been adopted early:

3 Accounting Policies (continued)

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 23 was issued on March 2007. The main change in IAS 23 is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The Group expects the revised IAS 23 has no impact on the financial statements as the Group's accounting policies historically complied with it.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

***IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009*).** The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IAS 32 and amendment to IAS 1, Puttable financial instruments and obligations arising on liquidation» (effective as of January 1, 2009). As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity. The Group does not think that this amendment will affect its consolidated financial statements.

***IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009*).** The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

3 Accounting Policies (continued)

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Amendment to IFRS 2, *Share-based Payment* is not currently applicable to the Group as it has no such payments.

IFRIC 13, Customer Loyalty Programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not applicable to the Group as the Group companies do not currently operate any loyalty programmes.

Improvements to International Financial Reporting Standards (issued in May 2008, effective for annual periods beginning on or after 1 January 2009). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group is currently assessing what impact the amendments will have on its consolidated financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (revised May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have an impact on the Group's consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

Other new standards and interpretations. The Group did not apply early the following new standards and interpretations:

- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008);
- Hedged items – Amendments to IAS 39, Financial instruments: recognition and measurement (effective for annual periods beginning on or after 1 July 2009).

(all amounts are presented in thousands of Russian Roubles)

4 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's ultimate controlling party is disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 Septmber2008 and 31 December 2007 are detailed below.

The following turnovers and balances arise from transactions with related parties:

i Balances with related parties

Balance sheet caption	Notes	Relationship	30 September 2008	31 December 2007
Trade receivables, gross	6	Parent company	210,937	3,322
		Parties under common control	142,463	60,801
Provision for impairment of trade receivables	6	Parties under common control	(9,038)	(19,807)
Prepayments, gross		Parent company	-	-
		Parties under common control	56,640	156,844
Provision for impairment of prepayments		Parties under common control	-	(5,068)
Other receivables		Parent company	12,317	-
		Parties under common control	14	-
Dividends receivable		Parent company	309,870	47,925
Dividends payable		Parent company	253,706	-
		Parties under common control	193,568	-
Loans provided		Parent company	240,000	130,000
		Parties under common control	322,300	55,000
Loans received	10	Parent company	71,395	36,995
		Parties under common control	4,000	-
Trade payables	9	Parent company	56,083	52,296
		Parties under common control	33,255	8,912
Advances from customers		Parties under common control	-	77

ii Transactions with related parties

Income statement caption	Notes	Relationship	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Sales of chemical fertilizers		Parent company	84,710	32,187
		Parties under common control	3,573,035	1,860,313
Income from participation in other companies		Parent company	460,892	99,563
Purchases of raw materials		Parent company	(84,447)	(78,735)
		Parties under common control	(13,875)	(10,500)
Purchase of transportation services		Parties under common control	(133,494)	(457,322)
Security services		Parties under common control	(50,508)	(48,037)
Statement of Changes in Equity				
Dividends accrued		Parent company	(908,964)	-
		Parties under common control	(374,840)	-

(all amounts are presented in thousands of Russian Roubles)

iii Loans issued to related parties

At 30 September 2008 and 31 December 2007 short-term loans to parent company and parties under common control denominated in RR totalled RR 240,000 and RR 130,000, respectively, at interest rates in the range of 8.5% to 9.0%. The loans are unsecured.

At 30 September 2008 long-term loans to parties under common control totalled RR 322,300 (31 December 2007: RR 55,000), in the range of 9.5% to 11.3%. The loans are unsecured.

For the nine months ended 30 September 2008 the Group accrued interest income of RR 62,824 (nine month ended 30 September 2007: RR 17,576).

5 Cash and Cash Equivalents

	30 September 2008	31 December 2007
Cash on hand and bank balances denominated in RR	97,342	284,735
Bank balances denominated in USD	89,685	65,342
Bank balances denominated in Euro	6,517	683
Total cash and cash equivalents	**193,544**	**350,760**

6 Accounts Receivable

	30 September 2008	31 December 2007
Trade accounts receivable	453 407	138,301
Less: impairment provision	(51,380)	(54,596)
Total financial assets	**402 027**	**83,705**
Advances to suppliers	732,666	546,746
Value-added tax recoverable	457,580	374,629
Income tax prepayments	62,658	10,992
Other taxes receivable	1,228	2,896
Less: impairment provision	(4,279)	(7,663)
Total accounts receivable	**1,651,880**	**1,011,305**

7 Property, Plant and Equipment

	2008	2007
Carrying amount at 1 January	**3,355,216**	**3,085,532**
Additions	845,651	191,296
Disposals	(5,728)	(57,318)
Charge for the period	(188,361)	(166,014)
Carrying amount at 30 September	**4,006,778**	**3,053,496**

8 Available-for-Sale Investments

The Group has investments in the following companies:

Name	Activity	Country of registration	30 September 2008	31 December 2007
JSC Acron	Fertilizers manufacturing	Russia	3,767,014	4,981,767
Sberbank	Banking	Russia	102,564	254,405
Other			15,414	30,740
			3,884,992	**5,266,912**

(all amounts are presented in thousands of Russian Roubles)

8 Available-for-Sale Investments (continued)

For the nine months ended 30 September 2008 fair value gains (losses) for available-for-sale investments were recognized directly in equity in the amount of RR (1,038,493) (for nine months ended 30 September 2007: RR (41,690)). These investments comprise principally equity securities, which are quoted by MICEX. The share price quoted by MICEX for JSC Acron and Sberbank amounted to RR 932.06 and RR 41.44 for 1 share at 30 September 2008 (RR 1,223.54 and RR 102.79 respectively for 1 share at 31 December 2007). (*)

(*) Price of shares is denominated in Russian roubles per one share

9 Accounts Payable

	30 September 2008	31 December 2007
Trade accounts payable	396,330	132,250
Dividends payable	586,407	1,929
Total financial payables	**982,737**	**134,179**
Payables to employees	113,424	137,618
Accrued liabilities and other creditors	5,894	15,062
Total accounts payable and accrued expenses	**1,102,055**	**286,859**

10 Short-Term and Long-Term Borrowings

The Group's borrowings mature as follows:

	30 September 2008	31 December 2007
Borrowings due:		
– within 1 year	842,387	932,480
– between 2 and 5 years	399,096	76,429
	1,241,483	**1,008,909**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

At 30 September 2008 and 31 December 2007 the fair value of borrowings was not materially different from their carrying amounts.

The details of the significant short-term loan balances are summarized below:

	30 September 2008	31 December 2007
Short-term borrowings		
Russian rubles		
Loans with fixed interest rates of 7% to 14% per annum	84,995	49,657
Bonds with coupon payments of 8.6% per annum	-	882,823
USD		
Loans with floating interest rates of LIBOR + 2.75% to LIBOR + 4% per annum	757,392	-
Total short-term borrowings	**842,387**	**932,480**

(all amounts are presented in thousands of Russian Roubles)

10 Short-Term and Long-Term Borrowings (continued)

The details of the significant long-term loan balances are summarized below:

	30 September 2008	31 December 2007
Long-term borrowings		
Russian rubles		
Loans with fixed interest rates of 11.3% per annum	12,700	-
USD		
Loans with fixed interest rates of 14% per annum	7,700	7,700
Loans with floating interest rates of LIBOR + 2.75% to LIBOR + 4.0% per annum	378,696	68,729
Total long-term borrowings	**399,096**	**76,429**

Unused credit lines available under long-term loan facilities were RR 0 (31 December 2007: RR 667,657).

The loan agreements for a total of RR 1,136,088 (2007: RR 68,729) contain certain covenants including those which require the Group to maintain a minimum level of net assets of at least USD 190 million, and impose restrictions on total debt which should not exceed 60% of the net assets, and EBITDA/net interest expense ratio which should be no less than 4 to 1. The loan agreements also provide for the borrower's obligation to maintain the required level of foreign currency inflows through the accounts opened with the lending banks. The loan agreements also provide for subjective acceleration clauses in case of the borrower's failure to fulfill or appropriately fulfill its obligations to the bank.

The loan agreements for a total of RR 34,000 (2007: RR 20,363) contain a covenant, that requires the borrower to maintain a required level of cash flows through the accounts opened with the lending bank. The loan agreement also includes a number of covenants and a subjective acceleration clause in case of the borrower's failure to fulfill his obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the borrowings.

11 Earnings per Share

Earnings per share is calculated by dividing the net income attributable to participating shareholders by the weighted average number of ordinary and preference shares in issue during the period, excluding the average number of ordinary shares purchased by the Company or its subsidiary and held as treasury shares.

	Nine month ended	
	30 September 2008	31 September 2007
Weighted average number of ordinary shares outstanding	721,182,860	721,182,860
Weighted average number of preference shares outstanding	154,256,400	154,256,400
Dividends to ordinary shareholders	1,355,824	-
Dividends to preference shareholders	290,002	-
Total dividends for the period	**1,645,826**	**-**
Profit attributable to ordinary shareholders	2,554,328	686,332
Profit attributable to preference shareholders	546,355	146,802
Profit for the period	**3,100,848**	**833,134**
Basic and diluted earnings per ordinary share (in Russian roubles)	**3.54**	**0.95**
Basic and diluted earnings per preference share (in Russian roubles)	**3.54**	**0.95**

(all amounts are presented in thousands of Russian Roubles)

12 Income Taxes

	Nine months ended 30 September 2008	30 September 2007
Income tax expense – current	854,040	306,746
Deferred tax credit – origination and reversal of temporary differences	107,159	(33,163)
Income tax charge	**961,199**	**273,583**

13 Contractual Commitments and Contingencies

As at 30 September 2008 the Group had outstanding capital commitments in relation to property, plant and equipment for amount of RR 107,726 (2007: RR 327,726).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

As at 30 September 2008 and 31 December 2007, the Group has not issued any financial guarantees to third parties in respect of borrowings from non-group companies.

14 Subsequent Events

Reducing output

In the end of October, 2008, the Group announced a reduction in the production of mineral fertilisers and certain other products. The reduction in output was due to lower seasonal market demand and global financial and economic crisis. The management of the Group believes that the decrease in output is temporary and prepares financial statements of the Group on a going concern basis.

Decrease in market value of investments

Between October and November 2008 Russian stock indices and most of Russian shares plummeted. That resulted in lower market value of RTS and MICEX traded available-for-sale investments held by the Group. As of 13 November 2008 JSC Acron and Sberbank market share prices at MICEX were at RR 363.9 and RR 24.4 per share (30 September 2008: 932.06 and RR 41.44 per share, respectively). Therefore, total value of available-for-sale investments in JSC Acron and Sberbank fell to RR 1,470,779 and RR 60,341, respectively.