JOINT STOCK COMPANY
“ACRON”

International Accounting Standard No. 34

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

30 June 2008

Contents

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

	Note	30 June 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	7	14,692,307	13,726,062
Exploration rights		17,786,463	237,843
Leasehold land		148,387	147,414
Goodwill		1,055,168	1,023,601
Other non-current assets		695,551	504,446
Investments in associates	9	474,070	362,568
Available-for-sale investments	8	45,938,061	17,306,627
Long-term loans receivable		29,606	3,606
Total non-current assets		**80,819,613**	**33,312,167**
Current assets			
Inventories		4,944,577	3,883,823
Other current assets		167,268	29,942
Short-term loans receivable		843,216	643,718
Accounts receivable	6	5,230,778	4,036,616
Dividends receivable		-	114,454
Cash and cash equivalents	5	3,945,028	1,335,275
Total current assets		**15,130,867**	**10,043,828**
TOTAL ASSETS		**95,950,480**	**43,355,995**
EQUITY			
Share capital		3,125,018	3,125,018
Treasury shares		(249,973)	(39,737)
Retained earnings		13,227,599	11,247,092
Revaluation reserve		28,989,479	11,207,376
Cumulative currency translation difference		(70,924)	(78,531)
Share capital and reserves attributable to the Company's equity holders		**45,021,199**	**25,461,218**
Minority interest		7,908,741	2,835,506
TOTAL EQUITY		**52,929,940**	**28,296,724**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	11	15,550,945	3,081,023
Finance lease liability		108,932	110,744
Other long-term liabilities		207,980	193,593
Deferred tax liability		11,684,946	4,779,595
Total non-current liabilities		**27,552,803**	**8,164,955**
Current liabilities			
Accounts payable	10	4,974,711	2,428,901
Notes payable		837,871	134,415
Current income tax payable		130,738	290,236
Other taxes payable		504,978	308,608
Short-term borrowings	11	6,829,767	2,418,101
Advances received		1,929,063	1,153,898
Finance lease liability		19,822	31,965
Other current liabilities		240,787	128,192
Total current liabilities		**15,467,737**	**6,894,316**
TOTAL LIABILITIES		**43,020,540**	**15,059,271**
TOTAL LIABILITIES AND EQUITY		**95,950,480**	**43,355,995**

Approved for issue and signed on behalf of the Board of Directors on 17 October 2008.

Открытое акционерное общество "АКРОН" № 2 г. Великий Новгород

I. N. Antonov
President

N. A. Pavlova
Chief Accountant

The accompanying notes on pages 6 to 14 are an integral part of this consolidated condensed interim financial information.

(all amounts are presented in thousands of Russian Roubles)

		Six months ended	
	Note	**30 June 2008**	**30 June 2007**
Revenue		22,327,158	14,338,753
Cost of sales		(9,728,007)	(9,564,418)
Gross profit		**12,599,151**	**4,774,335**
Transportation services		(1,329,127)	(578,127)
Selling, general and administrative expenses		(1,471,824)	(1,093,500)
Loss on disposal of property, plant and equipment, net		(2,481)	64,220
Other operating expenses		(49,125)	(119,376)
Operating profit		**9,746,594**	**3,047,552**
Finance income		401,946	98,676
Interest expense		(594,124)	(291,113)
Share of result of associates	9	111,502	(27,642)
Profit before taxation		**9,665,918**	**2,827,473**
Income tax expense	13	(2,460,959)	(632,600)
Net profit for the period		**7,204,959**	**2,194,873**
Net profit is attributable to:			
Equity holders of the Company		6,618,689	2,000,219
Minority interest		586,270	194,654
Net profit for the period		**7,204,959**	**2,194,873**
Earnings per share for profit for the period attributable to the equity holders of the Company, basic and diluted (expressed in RR per share)	12	152.12	45.86

(all amounts are presented in thousands of Russian Roubles)

	Note	Six months ended 30 June 2008	30 June 2007
Cash flows from operating activities			
Profit before taxation		**9,665,918**	**2,827,473**
Adjustments for:			
Depreciation and amortization		487,121	486,831
Reversal of impairment of accounts receivable	6	(8,996)	11,324
Reversal of provision for write-down on inventory		(8,024)	33,570
Reversal of impairment of property, plant and equipment, net		-	1,860
Share of results of associate		(111,502)	27,642
Loss on disposal of property, plant and equipment		(2,481)	(64,220)
Interest expense		594,124	291,113
Interest income		(311,123)	(34,948)
Dividend income		(12,657)	(10,600)
Foreign exchange effect on non-operating balances		(386,447)	(41,769)
Operating cash flows before working capital changes		**9,905,933**	**3,528,276**
(Increase)/decrease in gross trade receivables		(1,042,690)	213,443
Decrease/(increase) in advances to suppliers		(84,378)	(359,320)
Increase in other receivables		56,356	18,745
(Increase)/decrease in inventories		(1,052,730)	361,198
Decrease in trade payables		490,583	(311,643)
Increase/(decrease) in other payables		(53,707)	8,783
Increase /(decrease) in advances from customers		775,165	(541,320)
(Increase)/decrease in other current assets		(137,326)	(233,436)
Increase/(decrease) in other current liabilities		100,452	(40,590)
Net change in other non-current assets and liabilities		(147,033)	(6,526)
Cash generated from operations		**8,810,625**	**2,637,610**
Income taxes paid		(2,599,775)	(797,412)
Interest paid		(251,431)	(275,481)
Net cash generated from operating activities		**5,959,419**	**1,564,717**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,521,969)	(798,538)
Purchase of intangible assets		(17,580,177)	-
Purchase of treasury shares		(210,236)	-
Proceeds from sale of property, plant and equipment		70,171	22,843
Loans provided		(444,200)	(296,507)
Proceeds from loans repaid		276,202	123,479
Interest received		21,787	25,159
Dividends received		128,045	21,553
Purchase of available-for-sale investments		(21,171)	(79,426)
Proceeds from sale of leasehold land rights		-	213,170
Net cash used in investing activities		**(19,281,548)**	**(768,267)**
Cash flows from financing activities			
Dividends paid to shareholders		(1,092,525)	(446,489)
Dividends paid to minority shareholders		(94)	-
Proceeds from borrowings	11	23,062,282	700,828
Repayment of borrowings	11	(6,028,046)	(1,391,489)
Net cash provided from (used in) financing activities		**15,941,617**	**(1,137,150)**
Effect of exchange rate changes on cash and cash equivalents		(9,735)	32,827
Net increase in cash and cash equivalents		**2,609,753**	**(307,873)**
Cash and cash equivalents at the beginning of the period		**1,335,275**	**1,239,287**
Cash and cash equivalents at the end of the period		**3,945,028**	**931,414**

The accompanying notes on pages 6 to 14 are an integral part of this consolidated condensed interim financial information.

(all amounts are presented in thousands of Russian Roubles)

	Share capital and reserves attributable to the Company's equity holders						
	Share capital	**Treasury shares**	**Retained earnings**	**Revaluation reserve**	**Cumulative currency translation difference**	**Minority interest**	**Total equity**
Balance at 1 January 2007	**3,125,018**	**(39,737)**	**6,933,595**	**3,180,513**	**3,586**	**1,847,772**	**15,050,747**
Fair value gains on available-for-sale investments (Note 8)	-	-	-	337,560	-	5,814	343,374
Minority interest	-	-	27,071	-	-	(27,071)	-
Currency translation differences	-	-	-	-	27,809	(25,077)	(52,886)
Income tax recorded in equity	-	-	-	(81,016)	-	(1,395)	(82,411)
Net income recognized directly in equity	-	-	27,071	256,544	(27,809)	(47,729)	208,077
Profit for the period	-	-	2,000,219	-	-	194,654	2,194,873
Total recognized income	-	-	2,027,290	256,544	(27,809)	146,925	2,402,950
Dividends	**-**	**-**	(558,451)	**-**	**-**	(7,594)	(566,045)
Balance at 30 June 2007	**3,125,018**	**(39,737)**	**8,402,434**	**3 ,437,057**	**(24,223)**	**1,987,103**	**16,887,652**
Balance at 1 January 2008	**3,125,018**	**(39,737)**	**11,247,092**	**11,207,376**	**(78,531)**	**2,835,506**	**28,296,724**
Purchase (sale) of subsidiaries	-	-	3,722	-	-	(19,339)	(15,617)
Treasury shares	-	(210,236)	-	-	-	-	(210,236)
Fair value gains on available-for-sale investments (Note 8)	-	-	-	23,397,503	-	5,212,760	28,610,263
Currency translation differences	-	-	-	-	7,607	3,130	10,737
Income tax recorded in equity	-	-	-	(5,615,400)	-	(1,251,062)	(6,866,462)
Net income recognised directly in equity	-	-	3,722	17,782,103	7,607	3,945,489	21,528,685
Profit for the period	-	-	6,618,689	-	-	586,269	7,204,958
Total recognised income	-	(210,236)	6,622,411	17,782,103	7,607	4,531,758	28,733,643
Dividends declared		(210,236)	(4,641,904)			541,477	(4,100,427)
Balance at 30 June 2008	**3,125,018**	**(249,973)**	**13,227,599**	**28,989,479**	**(70,924)**	**7,908,741**	**52,929,940**

1 Acron Group and Its Operations

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

The Group's principal activities include the manufacture, distribution and sales of chemical fertilizers and related by-products. The Group's manufacturing facilities are primarily based in the Novgorodskaya and Smolenskaya oblasts of Russia and also in China. Acron was incorporated as a joint stock company on 19 November 1992. On that date the majority of assets and liabilities previously managed by the state conglomerate "Azot" 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 ultimate parent is Subero Associates Inc (British Virgin Islands) (31 December 2007: Subero Associates Inc). At as 30 June 2008 and 31 December 2007 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

The Company's registered office is at Novgorod the Great, 173012, 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 six months ended 30 June 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.

***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.

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 June 2008 and 31 December 2007 are detailed below.

(all amounts are presented in thousands of Russian Roubles)

4 Balances and Transactions with Related Parties (continued)

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

i Balances with related parties

Balance sheet caption	Note	Relationship	30 June 2008	31 December 2007
Trade receivables, gross	6	Parties under common control	53,653	48,610
Provision for impairment of trade receivables	6	Parties under common control	(1,012)	(18,214)
Prepayments	6	Parties under common control	2,183	5,000
Loans issued		Parties under common control	356,283	200,583
Loans issued		Key management	17,673	-
Other receivables	6	Parties under common control	4,863	27,894
Loans received		Parties under common control	(8,000)	(9,714)
Trade payables	10	Parties under common control	(19,039)	(20,932)
Advances from customers		Parties under common control	-	(7)

ii Transactions with related parties

			Six months ended	
Income statement caption	**Note**	**Relationship**	**30 June 2008**	**30 June 2007**
Sales of chemical fertilizers		Parties under common control	344,806	1,284,033
Purchases of raw materials		Parties under common control	(27,584)	(80,392)
Security services		Parties under common control	(64,986)	(68,412)

iii Cross shareholding

At 30 June 2008 JSC Dorogobuzh, a 71.83% subsidiary of the Company, owned 4,071,600 ordinary shares or 8.54% of the ordinary share capital of the Company (31 December 2007: 4,071,600 ordinary shares or 8.54%). Shares owned by JSC Dorogobuzh are accounted for as treasury shares, but retain their voting rights and dividends.

iv Loans issued

At 30 June 2008 and 31 December 2007 short-term loans to parties under common control totalled RR 356,283 and RR 200,583 respectively, at interest rates in the range of 9% to 10% (2007: 10% to 10.5%).

For six months ended 30 June 2008 the Group accrued interest income of RR 15,079 (for six months ended 30 June 2007: RR 18,759).

At 30 June 2008 long-term loans to key management members totalled RR 17,673, at interest rate of 8% (31 December 2007: nil).

v Key management personnel compensation

Compensation of key management personnel consists of remunerations paid to the members of the Management Boards of the Group's main subsidiaries and to members of Boards of Directors of the Company and its main subsidiaries. Compensation is made up of an annual remuneration and a performance bonus depending on operating results.

Total key management personnel compensation included in general and administrative expenses in the income statement for six months ended 30 June 2008 amounted to RR 121,656 (for six months ended 30 June 2007: RR 125,010). Related state pension and social security costs for six months ended 30 June 2008 amounted to RR 3,638 (for six months ended 30 June 2007: RR 3,756).

(all amounts are presented in thousands of Russian Roubles)

5 Cash and Cash Equivalents

	30 June 2008	31 December 2007
Cash on hand and bank balances denominated in RR	2,155,633	642,278
Bank balances denominated in USD	762,733	170,978
Bank balances denominated in Euro	156,046	16,565
Bank balances denominated in RMB	870,616	505,454
Total cash and cash equivalents	**3,945,028**	**1,335,275**

At 30 June 2008, 48 percent of the Group's cash and cash equivalents were placed as a deposit with a single bank, which is rated as "BBB+" based on the credit ratings of independent rating agency Standard & Poor's.

6 Accounts Receivable

	30 June 2008	31 December 2007
Trade accounts receivable	1,570,808	528,118
Notes receivable	75,588	435,870
Other accounts receivable	199,380	186,961
Less: impairment provision	(157,541)	(129,753)
Total financial assets	**1,688,235**	**1,021,196**
Advances to suppliers	2,327,332	2,242,954
Value-added tax recoverable	937,957	772,477
Income tax prepayments	256,180	10,992
Other taxes receivable	31,187	5,367
Less: impairment provision	(10,113)	(16,370)
Total accounts receivable	**5,230,778**	**4,036,616**

7 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	2008	2007
Carrying amount at 1 January	**13,726,062**	**12,471,434**
Additions	1,531,105	847,367
Disposals	(67,690)	(255,530)
Charge for the period	(485,517)	(486,831)
Currency translation difference	(11,653)	14,222
Carrying amount at 30 June	**14,692,307**	**12,590,662**

At 30 June 2008, buildings, machinery, equipment and construction in progress with a net book value of RR 904,852 (30 June 2007: RR 767,532) had been pledged as security for long-term loans.

(all amounts are presented in thousands of Russian Roubles)

8 Exploration rights

The Group has exploration rights in the following companies:

Name	Activity	Country of registration	30 June 2008	31 December 2007
JSC Severo-Zapadnaya Fosfornaya Company	Apatite concentrate mining	Russia	237 843	237 843
JSC Verhnekamskaya Kaliinaya Company	Exploration and production of potassium-magnesium salts	Russia	16 828 767	-
101109718 Saskatchewan Ltd.	Potash exploration	Canada	719 853	-
			17 786 463	**237 843**

9 Available-for-Sale Investments

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2008	31 December 2007
JSC Silvinit	Potash mining	Russia	31,231,049	13,229,443
JSC Apatit	Apatite concentrate mining	Russia	14,316,299	3,637,946
Sberbank	Banking	Russia	184,709	254,405
Other			206,004	184,833
			45,938,061	**17,306,627**

For the six months ended 30 June 2008 fair value gains (losses) for available-for-sale investments were recognized directly in equity in the amount of RR 28,610,263 (for six months ended 30 June 2007: RR 343,374). These investments comprise principally equity securities, which are listed on the Russian Trading System. The share price quoted by RTS for JSC Apatit and JSC Silvinit amounted to USD 950 and USD 2,100 for 1 share at 30 June 2008 (USD 230 and USD 850, respectively, for 1 share at 31 December 2007).

10 Investments in Associates

	2008	2007
Balance at 1 January	362,568	422,221
Share of income/(loss) before tax	111,502	(11,346)
Balance at 30 June	**474,070**	**410,875**

The amount above is represented by the investment of the Group into JSC Sibir Oil and Gas Company (21% of interest held), which significantly expanded production and sales starting from 2008.

11 Accounts Payable

	30 June 2008	31 December 2007
Trade accounts payable	1,163,538	1,427,798
Dividends payable	3,362,505	504,869
Total financial payables	**4,526,043**	**1,932,667**
Payables to employees	292,994	432,469
Accrued liabilities and other creditors	155,674	63,765
Total accounts payable and accrued expenses	**4,974,711**	**2,428,901**

(all amounts are presented in thousands of Russian Roubles)

12 Short-Term and Long-Term Borrowings

The Group's borrowings mature as follows:

	30 June 2008	31 December 2007
Borrowings due:		
- within 1 year	6,829,767	2,418,101
- between 2 and 5 years	8,961,067	2,462,135
- after 5 years	6,589,878	618,888
	22,380,712	**5,499,124**

Bank loans denominated in RMB were collateralised by buildings, machinery and equipment with a net book value of RR 177,601 (31 December 2007: RR 174,834) and land use right with a net book value of RR 124,085 (31 December 2007: RR 123,713). The loans obtained from Chinese banks are secured by guarantees issued by third parties totalled RR 1,122,365 (2007: RR 1,094,138).

Bank loans denominated in EUR were collateralised by construction in progress with a book value of RR 727,251 (31 December 2007: RR 502,000) and 50% interest in AS BCT, a Group's subsidiary (31 December 2007: 50% interest).

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 June 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 June 2008	31 December 2007
Short-term borrowings		
Russian roubles		
Loans with fixed interest rates of 7% to 14% per annum	1,206,577	144,663
Bonds with coupon payments of 8.6% per annum	-	882,823
USD		
Loans with fixed interest rates of 7% to 14% per annum	938,292	-
Loans with floating interest rates of LIBOR + 3.45% per annum	3,612,424	147,277
RMB		
Loans with fixed interest rates of 5.58% to 8.28% per annum	728,434	940,905
Plus: current portion of long-term debt	344,040	302,433
Total short-term borrowings	**6,829,767**	**2,418,101**

(all amounts are presented in thousands of Russian Roubles)

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

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

	30 June 2008	31 December 2007
Long-term borrowings		
Russian roubles		
Loans with fixed interest rates of 8% to 14% per annum	14,259,300	599,382
Euro		
Loans with floating interest rates of EURIBOR + 1.3%	1,086,922	618,888
USD		
Loans with fixed interest rates of 7.9% per annum	-	981,848
Loans with floating interest rates of LIBOR + 2.75% to LIBOR + 3.45% per annum	-	559,653
RMB		
Loans with fixed interest rates of 6.732% to 7.83% per annum	549,232	623,685
Less: current portion of long-term debt	(344,040)	(302,433)
Total long-term borrowings	**15,550,945**	**3,081,023**

Unused credit lines available under long-term loan facilities were RR 1,405,128 (31 December 2007: RR 1,791,320).

The loan agreements for a total of RR 18,140,475 (2007: RR 1,325,818) 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 1,748,292 (2007: RR 1,551,848) were secured by a pledge of the Company's promissory notes. The collateral value of the notes remaining in pledge should not be less than the borrower's liability, including principal and interest accrued for no less than three months of the credit term. In addition, these agreements contain subjective acceleration clauses in relation to events triggered by borrower's failure to fulfill the contractual obligations. Also, these covenants permit the lending banks to directly debit the accounts opened by the borrower with the banks to ensure repayment of the overdue debt.

The loan agreements for a total of RR 1,125,000 (2007: RR 110,000) 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.

The loan agreements for a total of RR 89,277 (2007: RR 56,045) contain a covenant to maintain the required level of cash flows through the accounts opened with the lender. Also, they allow the bank to directly debit the borrower's accounts with the lending banks to ensure repayment of his debt.

13 Earnings per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the reporting period, excluding treasury shares. The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equal the basic earnings per share.

(all amounts are presented in thousands of Russian Roubles)

13 Earnings per Share (continued)

	Six months ended 30 June 2008	Six months ended 30 June 2007
Weighted average number of shares outstanding	47,687,600	47,687,600
Adjusted for weighted average number of treasury shares	(4,177,246)	(4,071,600)
Weighted average number of shares outstanding	43,510,354	43,616,000
Profit attributable to the equity holders of the Company	**6,618,689**	**2,000,219**
Basic and diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	**152.12**	**45.86**

14 Income Taxes

	Six months ended 30 June 2008	Six months ended 30 June 2007
Income tax expense – current	2,455,594	737,641
Deferred tax credit – origination and reversal of temporary differences	5,365	(105,041)
Income tax charge	**2,460,959**	**632,600**

15 Contractual Commitments and Contingencies

As at 30 June 2008 the Group had outstanding capital commitments in relation to property, plant and equipment for amount of RR 422,601 (31 December 2007: RR 904,199).

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.

16 Subsequent Events

New subsidiary company

In August 2008, the Group acquired 50% of common shares of AS DBT (Estonia), осуществляющей операции engaged in transshipment operations in sea port of Muuga (Estonia). The purchase consideration was EUR 15,000,000.

Share Offering

In August 2008, the Group offered at the London Stock Exchange 30,000 ordinary registered uncertificated shares of the Parent Company in the form of global depositary receipts. The transaction amounted to USD 2,700,000. As part of the transaction the Group undertook indemnity obligations.

Decrease in market value of investments

Between August and October 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 15 October 2008 JSC Apatit and JSC Silvinit shares were traded at RTS at USD 385 and USD 550 per share (30 June 2008: USD 950 and USD 2,100 per share, respectively). Therefore, total market value of available-for-sale investments in JSC Apatit and JSC Silvinit fell to RR 522,238 and RR 9,195,219 respectively.

Dividends declared by the Company

In September 2008 the extraordinary shareholders meeting approved an interim dividends distribution for the six months ended 30 June 2008 in the amount of 80 Russian roubles per each ordinary share. This dividend will be paid in addition to the interim dividends declared for the 1 quarter 2008 in the amount of 40 Russian roubles per each ordinary share.