

**JOINT STOCK COMPANY
ACRON**

**International Financial Reporting Standards
Condensed Consolidated Interim Financial
Statements and Audit Report for six months,
ending on 30 June 2007**

Contents

Audit Report.....	1
Financial Statements	
Consolidated Balance Sheet.....	2
Consolidated Income Statement.....	3
Consolidated Statement of Cash Flows.....	4
Consolidated Statement of Changes in Shareholders' Equity.....	5
Notes to the Consolidated Financial Statements	
1 Acron Group and Its Operations.....	6
2 Basis of the Financial Statements Preparation.....	6
3 Summary of Significant Accounting Policies.....	6
4 New Accounting Pronouncements.....	6
5 Segment Information.....	7
6 Balances and Transactions with Related Parties.....	7
7 Cash and Cash Equivalents.....	9
8 Accounts Receivable.....	9
9 Loans Receivable.....	9
10 Inventories.....	10
11 Leasehold Land.....	10
12 Property, Plant and Equipment.....	10
13 Goodwill.....	12
14 Investments in Associates.....	12
15 Available-for-sale Investments.....	12
16 Accounts Payable.....	13
17 Other Taxes Payable.....	13
18 Short-term and Long-term Borrowings.....	13
19 Shareholders' Equity.....	16
20 Financial Expense.....	16
21 Other Revenues and Expenses.....	16
22 Earnings per Share.....	17
23 Profit Tax.....	17
24 Contingencies, Commitments and Operating Risks.....	18
25 Principal Subsidiaries.....	19
26 Significant Non-Cash Transactions.....	20
27 Financial Risk Management.....	20
28 Fair Value of Financial Instruments.....	20

Joint Stock Company Acron
Condensed Consolidated Interim Balance Sheet
as of 30 June 2007



(in thousands of Russian Roubles, except for per share data)

	Note	30 June 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	12	12,590,662	12,471,433
Leasehold land	11	150,406	151,221
Goodwill	13	1,023,601	1,023,601
Other non-current assets		27,639	27,774
Investments in associates	14	422,221	422,221
Available-for-sale investments	15	5,300,685	4,899,386
Long-term loans receivable	9	45,454	125,525
Total non-current assets		19,560,668	19,121,161
Current assets			
Inventories	10	3,134,642	3,529,410
Other current assets		279,192	45,756
Short-term loans receivable	9	750,519	577,491
Accounts receivable	8	3,769,701	3,722,288
Dividends receivable		-	11,605
Cash and cash equivalents	7	931,414	1,239,287
Total current assets		8,865,468	9,125,837
TOTAL ASSETS		28,426,136	28,246,998
EQUITY			
Share capital	19	3,125,018	3,125,018
Treasury shares	19	(39,737)	(39,737)
Retained earnings		8,402,434	6,933,595
Revaluation reserve		3,437,057	3,180,513
Cumulative currency translation difference		(24,223)	3,586
Capital and reserves attributable to the Company shareholders		14,900,549	13,202,975
Minority interest		1,987,103	1,847,772
TOTAL EQUITY		16,887,652	15,050,747
LIABILITIES			
Non-current liabilities			
Long-term borrowings	18	3,886,635	5,278,124
Other long-term liabilities		269,987	276,648
Deferred tax liability	23	1,917,117	1,939,748
Total non-current liabilities		6,073,739	7,494,520
Current liabilities			
Accounts payable	16	2,045,019	2,174,066
Notes payable		67,809	250,405
Current income tax payable		51,273	75,834
Other taxes payable	17	129,628	149,328
Short-term borrowings	18	2,464,885	1,764,057
Advances received		693,967	1,235,287
Other current liabilities		12,164	52,754
Total current liabilities		5,464,745	5,701,731
Total liabilities		11,538,484	13,196,251
TOTAL LIABILITIES AND EQUITY		28,426,136	28,246,998

Approved for issue and signed on behalf of the Board of Directors on 27 August 2007.

I.N.Antonov
President

N. A. Pavlova
Chief Accountant

The accompanying notes on pages 6 to 21 are an integral part of the consolidated financial statements.

Joint Stock Company Acron
Condensed Consolidated Interim Income Statement
for six months ending on 30 June 2007

(in thousands of Russian Roubles, except for per share data)



	Note	6 months of 2007	6 months of 2006
Revenue	5	14,338,753	12,188,831
Cost of sales		(9,564,418)	(7,594,253)
Gross profit		4,774,335	4,594,578
Transportation services		(578,127)	(619,434)
Selling, general and administrative expenses		(1,056,126)	(1,168,225)
Taxes other than profit tax		(37,374)	(81,652)
(Loss) / gain on disposal of property, plant and equipment, net		64,220	(35,354)
Other operating expenses		(125,517)	(122,373)
Other revenue and expenses	21	24,048	43,405
Finance expense	20	(237,986)	(125,534)
Profit before taxation		2,827,473	2,485,411
Profit tax expense	23	(632,600)	(668,826)
Profit for the year		2,194,873	1,816,585
Profit is attributable to:			
Shareholders of the Company		2,000,219	1,669,197
Minority interest		194,654	147,388
Profit for the year		2,194,873	1,816,585
Earnings per share for profit for the year attributable to the shareholders on the Company, basic and diluted (stated in RR per share)	22	45.86	38.27

The accompanying notes on pages 6 to 21 are an integral part of the consolidated financial statements.

Joint Stock Company Acron
Condensed Consolidated Interim Cash Flow Statement
for six months ending on 30 June 2007

(in thousands of Russian Roubles, except for per share data)



	Note	6 months of 2007	6 months of 2006
Cash flows from operating activities			
Profit before taxation		2,827,473	2,485,411
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	486,831	471,915
Provision for/(reversal of) bad debts		11,324	(2,307)
(Reversal of)/increase in provision for partial write-down of inventory		33,570	26,481
Impairment loss		1,860	20,605
Gain, loss on disposal of property, plant and equipment		(64,220)	35,354
Gain, loss on disposal of investment		21,500	4,375
Financial expense		291,113	155,053
Other revenues		(24,048)	(77,299)
Foreign exchange effect on non-operating balances		(57,127)	(129,211)
Operating cash flow before working capital changes		3,528,276	2,990,377
(Increase) / decrease in trade receivables		(127,132)	(345,571)
Increase in inventories		361,198	46,338
(Decrease) / increase in trade payables		(311,643)	(443,315)
(Decrease) / increase in other payables		8,783	(179,971)
Increase in advances from customers		(541,320)	(430,086)
Increase in other current assets		(233,436)	(8,897)
Decrease in other current liabilities		(40,590)	180,787
Net change in other non-current assets and liabilities		(6,526)	13,028
Cash generated from operations		2,637,610	1,822,690
Profit taxes paid		(797,412)	(761,040)
Interest paid		(275,481)	(171,814)
Net cash generated from operating activities		1,564,717	889,836
Cash flows from investing activities			
Purchase of property, plant and equipment		(585,368)	(1,448,003)
Sale of property, plant and equipment		22,843	4,725
Loans provided, net	9	(173,028)	(32,665)
Interest received		25,159	37,033
Dividend received		21,553	9,325
Purchase of investments		(79,426)	(142,765)
Sale of investments		-	1,338
Net cash used in investing activities		(768,267)	(1,571,012)
Cash flows from financing activities			
Dividends paid to shareholders		(446,489)	(509,556)
Dividends paid to minority shareholders		-	(65,738)
Increase / (decrease) in short-term borrowings	18	700,828	602,058
Increase / (decrease) in long-term borrowings	18	(1,391,489)	215,518
Net cash used in financing activities		(1,137,150)	242,282
Effect of exchange rate changes on cash and cash equivalents		32,827	(44,602)
Net increase in cash and cash equivalents		(307,873)	(483,496)
Opening cash and cash equivalents balance		1,239,287	1,338,779
Closing cash and cash equivalents balance		931,414	855,283

The accompanying notes on pages 6 to 21 are an integral part of the consolidated financial statements.

Joint Stock Company Acron
Condensed Consolidated Interim Statement of Shareholders' Equity
for six months ending on 30 June 2007

(in thousands of Russian Roubles, except for per share data)



Capital and reserves attributable to the Company shareholders

	Share capital (Note 19)	Treasury shares (Note 19)	Retained earnings	Revaluation reserve	Cumulative currency translation difference	Minority interest	Total shareholders' equity
Balance as of 1 January 2006	3,125,018	(39,737)	5,718,489	1,927,397	14,814	2,305,846	13,051,827
Revaluation of investments available for sale (Note 15)	-	-	-	1 648 837	-	38,054	1,686,891
Minority interest on fair value gains from cross shareholding (Note 6)	-	-	(22,926)	-	-	22,926	-
Currency translation differences	-	-	-	-	(11,228)	(25,221)	(36,449)
Deferred tax recorded in equity (Note 23)	-	-	-	(395,721)	-	(9,133)	(404,854)
Net income recognized directly in equity	-	-	(22,926)	1,253,116	(11,228)	26,626	1,245,588
Profit for the year	-	-	2,253,336	-	-	210,253	2,463,589
Total recognised revenue for 2006	-	-	2,230,410	1,253,116	(11,228)	236,879	3,709,177
Interest acquired in subsidiaries	-	-	-	-	-	(620,450)	(620,450)
Dividends	-	-	(1,015,304)	-	-	(74,503)	(1,089,807)
Balance as of 31 December 2006	3,125,018	(39,737)	6,933,595	3,180,513	3,586	1,847,772	15,050,747
Balance as of 1 January 2007	3,125,018	(39,737)	6,933,595	3,180,513	3,586	1,847,772	15,050,747
Revaluation of investments available-for-sale (Note 15)	-	-	-	337,560	-	5,814	343,374
Minority interest on fair value gains from cross shareholding (Note 6)	-	-	27,071	-	-	(27,071)	-
Currency translation differences	-	-	-	-	(27,809)	(25,077)	(52,886)
Deferred tax recorded in equity (Note 23)	-	-	-	(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 year	-	-	2,000,219	-	-	194,654	2,194,873
Total recognised revenue for six months of 2007	-	-	2,027,290	256,544	(27,809)	146,925	2,402,950
Dividends	-	-	(558,451)	-	-	(7,594)	(566,045)
Balance as of 30 June 2007	3,125,018	(39,737)	8,402,434	3,437,057	(24,223)	1,987,103	16,887,652

The accompanying notes on pages 6 to 21 are an integral part of the consolidated financial statements.



1 Acron Group and Its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the period ended 30 June 2007 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 Novgorod and Smolensk regions 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 immediate major shareholders as of 30 June 2007 are: CJSC Acronagroservice (19.78% of voting share capital), Qestar Holdings Limited (18.95%), Refco Holdings Limited (19.47%), Granadilla Holdings Limited (13.26%). The Group's subsidiary JSC Dorogobuzh holds 8.54% (2006: 8.54%) of the Company's shares. The remaining 14.74% is held in the name of CJSC DCC on behalf of a number of various individual stakes and 5.27% belong to shareholders each holding less than 2% of the Company's shares.

The Company's registered office is at Veliky Novgorod, Russia. As of 30 June 2007 the Group had an average of 11,847 employees (31 December 2006: 13,148).

2 Basis of the Financial Statements Preparation

This condensed interim financial information for six months ended 30 June 2007 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2006.

Basis of preparation. These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS") under the historical cost convention except as modified by the revaluation of available-for-sale investments. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Presentation currency. All amounts in these financial statements are presented in thousands of Russian Roubles ("RR thousands"), unless otherwise stated. The financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

3 Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ending on 31 December 2006, as described in the consolidated financial statements for the year ending 31 December 2006.

4 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the entity has not early adopted:

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 organization 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. Management is currently assessing what impact the Standard will have on segment disclosures in the Group's financial statements.

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

Other new standards or interpretations. The Group has not early adopted the following other new standards or interpretations:

- IFRIC 11 to 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).

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

5 Segment Information

The Group has one reportable segment, which is manufacturing and sale of chemical fertilizers which have similar risks and rewards. The Group evaluates performance and makes investment and strategic decisions based upon review of profitability for the Group as a whole.

Its secondary reporting format is determined to be the geographical segments: Russia and CIS countries, and other counties.

Sales are based on the geographical area in which the customer is located. There are no sales or other transactions between the segments. Production and all assets and liabilities of the Group are located in the Russian Federation and China.

<u>Revenue</u>	6 months of 2007	6 months of 2006
Overseas	9,704,735	8,206,944
Russia and CIS countries	4,634,018	3,981,887
	14,338,753	12,188,831

<u>Total assets</u>	30 June 2007	31 December 2006
Overseas	5,039,507	5,246,940
Russia and CIS countries	23,386,629	18,387,234
	28,426,136	23,634,174

The Group sells to two international traders trading entities that account for the majority of its sales outside of Russia. During first six months of 2007, AgroNitrogen Logistics Ltd. and NPKchemical Trading Inc. purchased 25% and 18% of the Group's sales outside Russia, respectively (2006: 23% and 26%). The sales to them are included in the overseas segment as risks and returns on them are similar to other overseas sales.

6 Balances and Transactions with Related Parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as of 31 December 2006 and 2005 are detailed below. Transactions were entered into with related parties during the ordinary course of business on normal commercial terms.

The following turnovers and balances arise from transactions with parties under common control:

i Balances with Related Parties

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007

(in thousands of Russian Roubles, except for per share data)



Balance Sheet Caption	Nature of Relations	30 June 2007	31 December 2006
Trade receivables, gross	Companies under common control	222,081	140,853
Provision for impairment of trade receivables	Companies under common control	(69,478)	(65,556)
Prepayments, gross	Companies under common control	60,142	98,763
Other receivables	Companies under common control	-	10,594
Loans issued	Companies under common control	306,019	327,569
Loans received	Companies under common control	-	(8,000)
Trade payables	Companies under common control	(19,185)	(12,963)
Deferred purchase consideration for acquisition of additional interest in existing subsidiaries	Companies under common control	-	(342,573)
Advances from customers	Companies under common control	(4,025)	(32,815)

ii Transactions with Related Parties

Profit and Loss Item	Nature of relations	Six months of 2007	Six months of 2006
Proceeds	Companies under common control	1,284,033	1,086,318
Purchases	Companies under common control	(80,392)	(11,019)
Cost of transportation	Companies under common control	(999,165)	(589,040)
Security services	Companies under common control	(68,412)	(53,669)

iii Cross Shareholding

As of 30 June 2007 JSC Dorogobuzh, a 71.57% subsidiary of the Company (71.57% in 2006), owned 4,071,600 common shares or 8.54% of the common share capital of the Company (2006: 4,071,600 common shares or 8.54%). Shares owned by JSC Dorogobuzh are accounted for as treasury shares, but retain their voting rights and dividends.

Shares owned by JSC Dorogobuzh are accounted for as available-for-sale investments with fair value gains (losses) recorded directly in equity in the financial statements of JSC Dorogobuzh. These fair value gains (losses) were eliminated in these consolidated financial statements. Share of minority interest on these fair value gains (losses) was recorded in the Group's equity.

iv Loans Issued

As of 30 June 2007 and 31 December 2006 short-term loans totalled RR 279,395 and RR 228,700, respectively, at interest rates in the range of 10% to 10.5%. As of 30 June 2007 and 31 December 2006 short-term loans denominated in USD totalled RR 43,165 (USD 1,672,000; 2006 – USD 1,672,000) at interest rates in the range of 8.5% to 9%. The loans are unsecured.

As of 30 June 2007 and 31 December 2006 long-term loans denominated in RR totalled RR 0 and RR 0, respectively; long-term loans denominated in USD totalled RR 41,848 (USD 1,620,000; 2006 – USD 746,000) at interest rates of 9%. The loans are unsecured.

For six months of 2007 the Group accrued interest income of RR 18,759.



7 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 June 2007	31 December 2006
RR denominated cash on hand and balances with banks	298,538	338,336
Foreign currency denominated balances with bank	632,876	900,951
	931,414	1,239,287

8 Accounts Receivable

	30 June 2007	31 December 2006
Trade accounts receivable (refer to Note 6)	842,071	1,043,635
Value-added tax recoverable	1,018,623	1,133,237
Settlements on claims	59,604	59,288
Profit tax prepayments	96,989	28,313
Advances to suppliers	1,446,581	1,087,261
Other taxes receivable	10,736	19,756
Notes receivable	111,452	147,856
Other accounts receivable	377,445	396,190
	3,963,501	3,915,536
Less impairment provision for trade and other receivables	(193,800)	(193,248)
	3,769,701	3,722,288

As of 30 June 2007 the Group had accounts receivable of RR 212,684 (RR 213,170 as of 31 December 2006) from the purchaser of leasehold land, which is included in other accounts receivable.

Included in notes receivable are notes receivable from Sberbank Russia for RR 30,726 (RR 107,811 as of 31 December 2006).

9 Loans Receivable

	30 June 2007	31 December 2006
Short-term loans receivable		
Loans issued to related parties (refer to Note 6)	264,171	272,724
Loans issued to third parties	486,348	304,767
	750,519	577,491
Long-term loans receivable		
Loans issued to third parties	3,606	105,883
Loans issued to related parties (refer to Note 6)	41,848	19,642
	45,454	125,525

As of 30 June 2007 and 31 December 2006 short-term loans denominated in RR totalled RR 707,320 and 533,467, respectively, at interest rates in the range of 5.2 % to 12%. The loans were unsecured.

As of 30 June 2007 short-term loans denominated in USD totalled RR 43,199 (USD 1,672,000; 31 December 2006 – USD 1,672,000) (refer to Note 6).

As of 30 June 2007 and 31 December 2006 long-term loans denominated in RR totalled RR 3,606 and 57,500, respectively, at interest rates in the range of 8.5 % to 12%. The loans were unsecured.

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

As of 30 June 2007 long-term loans denominated in USD totalled RR 41,848 (USD 1,621,000; 31 December 2006 – USD 746,000) (refer to Note 6).

In six months of 2007 the Group accrued interest income of RR 34,950.

10 Inventories

	30 June 2007	31 December 2006
Raw materials and spare parts	2,279,565	2,676,665
Work in progress	90,490	106,068
Finished products	764,587	746,677
	3,134,642	3,529,410

Included in raw materials and spare parts are catalysers of RR 226,115 (31 December 2006: 288,593), which are used in the production process over more than one year. Raw materials are shown net of impairment provision of RR 309,337 (31 December 2006: 295,568). No inventory was pledged as security in 2007 or 2006.

11 Leasehold Land

	30 June 2007	31 December 2006
Initial cost		
Balance as of January 1	170,420	299,255
Disposals	-	(112,664)
Translation difference	819	(16,171)
Closing balance	171,239	170,420
Accumulated amortization		
Balance as of January 1	19,199	31,832
Amortization for the year	1,623	3,982
Disposals	-	(14,895)
Translation difference	11	(1,720)
Balance at 31 December	20,833	19,199
Net book value as of January 1	151,221	267,423
Closing net book value	150,406	151,221

As of 30 June 2007, the Group's leasehold land with net book value of RR 150,406 (31 December 2006: RR 151,221) was held under prepayments for land use rights with terms of 27 to 30 years expiring from March 2023 to November 2028. The leasehold land related to buildings and production facilities of Shandong Hongri Acron Chemical Joint Stock Company Ltd., the Group's subsidiary in the People's Republic of China.

As of 30 June 2007, land use right with initial cost of RR 171,239 was pledged as security for long-term loans (Note 18).

12 Property, Plant and Equipment

	Buildings and constructions	Plant and equipment	Other	Assets under construction	Total
Initial cost					
Balance as of 1 January 2006	17,012,361	18,992,383	498,573	1,585,576	38,088,893
Acquisitions through business combinations	292,442	60,743	-	405	353,590
Additions	-	-	-	2,939,750	2,939,750

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

Transfers	281,157	1,225,467	836,862	(2,343,486)	-
Disposals	(319,730)	(629,713)	(44,267)	(34,890)	(1,028,600)
Translation difference	(36,516)	(93,520)	(7,266)	(29,420)	(166,722)
Balance as of 31 December 2006	17,229,714	19,555,360	1,283,901	2,117,935	40,186,911

Accumulated Depreciation

Balance as of 1 January 2006	10,931,170	16,002,395	268,142	-	27,201,707
Depreciation on acquisitions through business combinations	239,364	34,646	-	-	274,010
Depreciation charge	315,963	529,365	75,024	-	920,352
Disposals	(146,312)	(523,647)	(33,993)	-	(703,952)
Translation difference	(3,856)	(23,591)	(2,144)	-	(29,591)
Balance as of 31 December 2006	11,336,329	16,019,168	307,029	-	27,662,526

Accumulated Impairment Loss

Balance as of 1 January 2006					
Impairment loss	36,406	18,854	3,561	1,033	59,854
Additions	19,240	63,746	2,722	3,187	88,895
Disposals	(48,938)	(42,931)	(641)	-	(92,510)
Translation difference	(2,018)	(1,019)	(195)	(56)	(3,288)
Balance as of 31 December 2006	4,691	38,650	5,446	4,164	52,951

Net book value

Balance as of 1 January 2006	6,044,785	2,971,134	226,870	1,584,544	10,827,333
Balance as of 31 December 2006	5,888,694	3,497,542	970,426	2,113,771	12,471,434

	Buildings and constructions	Plant and equipment	Other	Assets under construction	Total
Initial cost					
Balance as of 1 January 2007	17,229,715	19,555,360	1,283,901	2,117,935	40,186,911
Additions	-	-	-	847,367	847,367
Transfers	217,881	526,355	52,549	(796,785)	-
Disposals	(86,707)	(175,679)	(260,931)	-	(523,317)
Translation difference	3,954	10,651	711	344	15,660
Balance as of 30 June 2007	17,364,843	19,916,687	1,076,230	2,168,861	40,526,621
Accumulated Depreciation					
Balance as of 1 January 2007	11,336,329	16,019,168	307,029	-	27,662,526
Depreciation charge	170,725	274,094	42,012	-	486,831
Disposals	(79,655)	(173,620)	(14,512)	-	(267,787)
Translation difference	368	2,412	259	-	3,039
Balance as of 30 June 2007	11,427,767	16,122,054	334,788	-	27,884,609
Accumulated Impairment Loss					
Balance as of 1 January 2007	4,691	38,650	5,446	4,164	52,951
Impairment loss	-	-	-	-	-
Disposals	-	-	-	(1,860)	(1,860)
Translation difference	27	186	26	20	259
Balance as of 30 June 2007	4,718	38,836	5,472	2,324	51,350
Net book value					

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

Balance as of 1 January 2007	5,888,694	3,497,542	970,426	2,113,771	12,471,434
Balance as of 30 June 2007	5,932,358	3,755,797	735,970	2,165,151	12,590,662

As of 30 June 2007, buildings, machinery and equipment with cost of RR 267,532 (31 December 2006: RR 266,252) was pledged as security for long-term loans (Note 18).

In 2004 the Group adjusted the gross book values and accumulated depreciation of property, plant and equipment which were purchased and/or constructed over a long period of time (up to 8 years) for the rate of inflation. The inflation was calculated in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies, for each respective part of cost of the property, plant and equipment items from the dates of their origination. The adjustment did not affect the net book values of property, plant and equipment.

13 Goodwill

	Note	30 June 2007	31 December 2006
Carrying value as of January 1		1,023,601	-
Acquisition of subsidiary		-	52,068
Acquisition of additional interest in existing subsidiary		-	971,533
Impairment loss		-	-
Closing carrying value		1,023,601	1,023,601
Opening gross book value		1,023,601	1,023,601
Accumulated impairment losses at the end of the period		-	-
Closing carrying amount		1,023,601	1,023,601

Goodwill Impairment Test. Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment as follows:

	30 June 2007	31 December 2006
LLC Andrex	52,068	52,068
JSC Dorogobuzh	971,533	971,533
Total carrying value of goodwill	1,023,601	1,023,601

The management of the Group believes that there are no signs of goodwill impairment as of the end of the reporting period.

14 Investments in Associates

	30 June 2007	31 December 2006
Balance as of January 1	422,221	300,221
Interest increase	-	122,000
Share in pre-tax profit (loss)	-	-
Closing balance	422,221	422,221

This amount includes the Group's investment in JSC Sibneftegaz. In 2006, the Group proportionately increased its interest in its associate in the amount of RR 122,000 paid in cash. In 2006 and during the first six months of 2007 its interest in the authorized capital of its associate remained at 21%.

15 Available-for-sale Investments

	30 June 2007	31 December 2006
--	--------------	------------------

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

Balance as of January 1	4,899,386	3,171,017
Additions	79,426	76,196
Fair value gain	343,374	1,686,889
Disposals	(21,501)	(34,716)
Closing balance	5,300,685	4,899,386

Investments previously classified as at fair value through profit or loss were retrospectively designated by the Group as available-for-sale in line with requirements of IAS 39 (Amendment) "The Fair Value Option" effective from 01 January 2006. Respective fair value gains (losses) were recognized directly in equity. These investments comprise principally equity securities, which are listed on the RTS but which are not actively traded and hence are not considered to be quoted in an active market in line with requirements of IAS 39. For these investments, fair value is estimated by using valuation techniques based on application guidance of IAS 39 (revised). Applied multiples of enterprise value to sales and EBITDA were 0,85 and 5,2 for OAO Apatite and 4,2 and 10,15 for OAO Sylvinit, respectively. Applied discounts for lack of control and lack of marketability were 15% and 35% respectively. For other investments traded in active markets, fair value is determined by reference to the current market value at the close of business on 30 June 2007.

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2007	31 December 2006
JSC Sylvinit	KCl mining	Russia	4,166,392	3,864,240
JSC Apatite	Apatite concentrate mining	Russia	693,571	672,800
JSC Sberbank	Banking	Russia	247,663	227,213
Other			193,059	135,133
			5,300,685	4,899,386

The share price quoted by RTS for JSC Apatite and JSC Sylvinit amounted to USD 86 and 305 for 1 share as of 30 June 2007 and USD 86 and 280 as of 31 December 2006 respectively.

16 Accounts Payable

	30 June 2007	31 December 2006
Trade accounts payable	1,073,627	797,282
Payables to employees	257,418	330,896
Dividends payable	563,405	450,886
Deferred purchase consideration for acquisition of new subsidiaries and additional interest in existing subsidiaries	-	474,256
Accrued liabilities and other creditors	150,569	120,746
	2,045,019	2,174,066

17 Other Taxes Payable

	30 June 2007	31 December 2006
Value-added tax payable	69,799	48,548
Payroll taxes	51,502	53,664
Property and other taxes	8,327	47,116
	129,628	149,328

18 Short-term and Long-term Borrowings

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

Borrowings consist of the following:

	30 June 2007	31 December 2006
Bonds issued	882,823	882,823
Loan facilities	2,909,934	2,410,157
Term loans	2,558,763	3,749,201
	6,351,520	7,042,181

In June 2005 the Group issued 900 thousand non-convertible three year Russian Rouble denominated bonds (at par value 1,000 roubles each) for RR 900,000 with quarterly coupon payments of 9.9% per annum with an early redemption option available subject to resolution of the Board of Directors. In June 2005 the Board of Directors approved the resolution to grant to the holders of the bonds an option to redeem the bonds starting from December 2006. As of 30 June 2007 bonds for RR 17,177 were redeemed and were not offered. The bonds issued are presented in these financial statements as short-term. The bonds are guaranteed by parent company.

The Group's borrowings mature as follows:

	30 June 2007	31 December 2006
Borrowings due:		
- within 1 year	2,464,885	1,764,057
- between 2 and 5 years	3,886,635	5,278,124
	6,351,520	7,042,181

The Group's borrowings are denominated in currencies as follows:

	30 June 2007	31 December 2006
Borrowings denominated in:		
- Russian Roubles	1,864,734	1,822,101
- US Dollars	2,653,912	3,449,374
- RMB	1,832,874	1,770,706
	6,351,520	7,042,181

The details of the significant short-term loan balances are summarized below (amounts denominated in USD are presented in USD):

	30 June 2007	31 December 2006
Bonds	882,823	-
Sberbank Russia	420,000	600,000
Construction Bank of China	304,980	236,072
Bank of China	678,338	605,186
Rosselkhozbank	-	10,000
Loans from related parties	-	8,000
Other loans	9,311	1,278
Current portion of long-term debt	169,433	303,521
Total short-term debt	2,464,885	1,936,976

Short-term loans from Sberbank-Moscow denominated in Russian roubles totalled RR 420,000 as of 30 June 2007 (31 December 2006: RR 600,000) at interest rate of 7%. Under the terms of the agreement there is

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

a number of covenants and restrictions, inclusive of restrictions on maintenance of certain export revenue flows, entered on the company's account opened with Sberbank.

Short-term loan from Rosselhozbank denominated in Russian roubles totalled RR 10,000 as of 30 June 2007 at interest rate 10%. The loan was repaid in 2007.

Short-term loans in RMB (RMB 540,600,000; RR 983,318; 31 December 2006: RR 841,258) were granted at interest rates of 5.58% to 8.28% per annum. These loans were guaranteed by unrelated parties in return for guarantees provided by the Group for the borrowings obtained by unrelated parties.

The details of the significant long-term loan balances are summarized below (amounts denominated in USD are presented in USD):

	30 June 2007	31 December 2006
Bonds	-	882,823
VTB Europe	-	579,284
Commerzbank	387,243	789,933
Raiffeisenbank	774,486	566,119
ZAO Moscow International Bank	46,476	460,794
Sberbank Russia	1,572,648	1,373,244
Narodny Bank	413,059	-
Construction Bank, China	474,413	472,143
Development Bank, China	375,136	457,305
Other loans	12,607	
Net of current portion of long-term debt	(169,433)	(303,521)
Long-term borrowings	3,886,635	5,278,124

Long-term loan from Moscow International Bank denominated in USD totalled USD 1,800,000 as of 30 June 2007 (31 December 2006: USD 17,500,000) at interest rate LIBOR+2.75%. Under the terms of the agreement there were a number of covenants, cross-default provision and restrictions on the revenues and assets encumbrance.

Long-term loan from VTB Europe denominated in foreign currency totalled USD 0 as of 30 June 2007 (31 December 2006: USD 22,000,000) at interest rate LIBOR+3.45%. The loan was fully repaid in the first half of 2007.

Long-term loan from Raiffeisenbank denominated in foreign currency totalled USD 30,000,000 as of 30 June 2007 (31 December 2006: USD 21,500,000) at interest rate LIBOR+3.25%. Under the terms of the agreement there were a number of covenants and restrictions, inclusive of restrictions on minimal turnover on the borrower's accounts, significant transactions with assets and maintenance of certain financial ratios.

Long-term loan from Commerzbank denominated in foreign currency totalled USD 15,000,000 as of 30 June 2007 (31 December 2006: USD 30,000,000) at interest rate LIBOR+3.00%. Under the terms of the agreement there were a number of covenants, cross-default provisions and restrictions, inclusive of restrictions on significant transactions with assets and maintenance of certain financial ratios.

Long-term loan from Narodny bank denominated in foreign currency totalled USD 16,000,000 as of 30 June 2007 (31 December 2006: USD 0) at interest rate LIBOR+3.45%. Under the terms of the agreement there were a number of covenants, cross-default provisions and restrictions, inclusive of restrictions on significant transactions with assets and maintenance of certain financial ratios.

Long-term loan from Sberbank Russia denominated in foreign currency totalled USD 40,000,000 as of 30 June 2007 (31 December 2006: USD 40,000,000) at interest rate 7.9%. Under the terms of the agreement there were a

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

number of covenants, cross-default provisions and restrictions, inclusive of restrictions on significant transactions with assets and maintenance of certain financial ratios. The loan is guaranteed with notes issued by JSC Acron.

Long-term loan from Sberbank Russia denominated in Russian roubles totaled RR 540,000 as of 30 June 2007 (31 December 2006: USD 320,000) at interest rate 8.0%. Under the terms of the agreement there were a number of covenants, cross-default provisions and restrictions, inclusive of restrictions on significant transactions with assets. The loan is guaranteed with notes issued by JSC Acron.

Long-term bank loans in RMB were obtained at interest rates of 7.2% to 7.623% (2006: 6.732% to 6.84%) per annum. As of 30 June 2007, bank loans of RR 442,560 (31 December 2006: RR 524,686) were guaranteed by unrelated parties in return for guarantees provided by the Group for the borrowings obtained by unrelated parties. In general, loans obtained from China banks are secured by guarantees issued by third parties totalling RR 1,221,952 (31 December 2006: RR 1,161,136).

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.

The carrying amounts of borrowings do not materially differ from their fair values.

19 Shareholders' Equity

Total number of outstanding shares comprises (par value is expressed in roubles per one share):

	No. of outstanding ordinary shares	No. of treasury shares	Total share capital	Treasur y share capital	Outstanding share capital
31 December 2006	47,687,600	(4,071,600)	3,125,018	(39,737)	3,085,281
30 June 2007	47,687,600	(4,071,600)	3,125,018	(39,737)	3,085,281

In August 2007, the Board of Directors recommended the shareholders' meeting to resolve on paying interim dividends for the first half of the year 2007 in the amount of RR 13 per common share with par value of RR 5. The respective resolution as to be adopted at the shareholders' meeting in September 2007.

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the first six months of 2007, the current year net statutory profit for the Company as reported in the semi-annual statutory reporting forms was RR 3,795,320. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

20 Financial Expense

	30 June 2007	30 June 2006
Interest expense	(291,113)	(193,507)
Foreign exchange loss (gain)	53,127	67,973
	(237,986)	(125,534)

21 Other Revenues and Expenses

	30 June 2007	30 June 2006
Interest income	34,948	38,455
Dividend income	10,600	9,325
Loss on disposal of investments	(21,500)	(4,375)



24,048 43,405

22 Earnings per Share

Earnings/(loss) per share are calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of outstanding common shares during the year, except for treasury shares. The Company has no dilutive potential common shares; therefore, the diluted earnings per share equals the basic earnings per share.

	Six months of 2007	Six months of 2006
Weighted average number of shares outstanding	47,687,600	47,687,600
Adjusted for weighted average number of treasury shares	(4,071,600)	(4,071,600)
Weighted average number of shares outstanding	43,616,000	43,616,000
Profit attributable to the Company's shareholders	2,000,219	1,669,197
Basic and diluted earnings per share (in Russian roubles) attributable to the Company's shareholders	45.86	38.27

23 Profit Tax

	Six months of 2007	Six months of 2006
Profit tax expense – current	737,641	760,859
Deferred tax charge/(credit) – origination and reversal of temporary differences	(105,042)	(92,033)
Profit tax charge	632,599	668,826

Profit before taxation for financial reporting purposes is reconciled to tax expense/(credit) as follows:

	Six months of 2007	Six months of 2006
Profit before tax	2,827,474	2,485,411
Theoretical tax charge at statutory rate of 24% (2006: 24%)	678,594	596,499
Tax effect of items which are not deductible or assessable for taxation purposes:		
Profit not taxable	(2,544)	(2,239)
Other non-deductible expenses	(43,451)	74,566
Profit tax charge	632,599	668,826

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity. Differences between IFRS and Russian and other countries statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded for major Russian subsidiaries at the rate of 24% (2006: 24%) (except for income on state securities that is taxed at 15% (2006: 15%).

	31 December, 2005	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	31 December, 2006	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	30 June 2007
Tax effects of taxable temporary differences:							
Property, plant and equipment	1,104,542	(150,621)	-	953,921	(88,810)		865,111
Investments	829,613	(10,550)	404,854	1,223,917	(13,940)	82,411	1,292,388

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

Other temporary differences	(10,735)	18,778	-	8,043	(7,984)	59
Tax effects of deductible temporary differences:						
Inventories	(22,180)	(5,985)	-	(28,165)	(12,916)	(41,081)
Accounts receivable	(67,002)	(24,885)	-	(91,887)	(300)	(92,187)
Accounts payable	(35,834)	(60,057)	-	(95,891)	18,908	(76,983)
Employee benefit obligation	(64,912)	34,722	-	(30,190)	-	(30,190)
Recognized deferred tax liability	1,733,492	(198,598)	404,854	1,939,748	(105,042)	82,411 1,917,117

Substantially all deferred tax liabilities presented in the balance sheet are expected to be realised within a period exceeding 12 months from the balance sheet date.

24 Contingencies, Commitments and Operating Risks

i Contractual Commitments and Guarantees

As of 30 June 2007 the Group had outstanding capital commitments in relation to property, plant and equipment for amount of RR 236,788 (31 December 2006: RR 241,692). As of 30 June 2007 and 31 December 2006 within the China segment of its financial operations the Group has issued financial guarantees to third parties in respect of borrowings from non-group companies in the amount of RR 1,170,106 and 1,161,136 respectively. No amount has been accrued in the consolidated financial statements for the Group's obligation under these guarantees as the projected outflows from such guarantees are immaterial.

ii Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently.

Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, and all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice with this respect is contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 30 June 2007 no provision for potential tax liabilities had been recorded (2006: no provision).

iii Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

iv Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

v Operating environment

Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

vi Economic and legal risks in China

The Group's major subsidiary, Shandong Hongri Acron Chemical JSC Ltd, is located in the People's Republic of China. The People's Republic of China (the "PRC") economic and legal system is not fully developed and has inherent uncertainties. The economy of PRC differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange, and allocation of resources.

Since 1978, the PRC Government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for PRC in the last two decades. Many of the reforms are unprecedented or experimental and are expected to be modified from time to time.

The business and operations of the Group in PRC are governed by the PRC legal system. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of a dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit legal protections available to the Group. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of resources and management attention.

25 Principal Subsidiaries

The principal subsidiaries and the degree of control exercised by the Company are as follows:

Entity	Country of Incorporation	Activity	Interest (voting shares), %, in the six months of 2007	Interest (voting shares), %, in the six months of 2006
JSC Dorogobuzh	Russia	Fertilizer production	85	85
LLC Andrex	Russia	Service company	100	100
CJSC Nordic Russia Holding	Russia	Holding company	51	51
CJSC Firma Proekt	Russia	Holding company	100	100
LLC Trustservice	Russia	Holding company	100	100



(in thousands of Russian Roubles, except for per share data)

Acronagrotrans Limited	B.V.I.	Holding company	100	100
Shandong Hongri Acron Chemical JSC	China	Fertilizer production	50.5	50.5

26 Significant Non-Cash Transactions

Included in sales for the first six months of 2007 are non-cash transactions amounting to RR 26,773 (first six months of 2006: RR 295,745). The transactions primarily represent cancellation of mutual balances with customers and suppliers within the operating cycle. Considerable decrease in non-cash transactions in the first half of the year 2007 is due to revised tax legislation, which provides for mandatory payment of VAT in cash regardless of the form of the transaction settlement. Non-cash transactions primarily represent cancellation of mutual balances with customers and suppliers within the operating cycle. Non-cash transactions were excluded from the consolidated cash flow statement.

27 Financial Risk Management

i Credit Risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Group has no other significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

ii Market Risk

The Group takes on exposure to market risks. Market risks arise from commodity prices and open positions in interest rate, currency and equity financial instruments, all of which are exposed to general and specific market movements. The Board of Directors sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

iii Foreign Exchange Risk

The Group exports 68% (2006: 72%) of its production to overseas and attracts substantial amount of foreign currency denominated long-term borrowings and is thus exposed to foreign exchange risk. Foreign currency denominated assets and liabilities give rise to foreign exchange exposure. The Group does not have any hedge arrangements to mitigate foreign exchange risks of the Group's operations.

iv Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities (30 June 2007: USD 28,200,000 and RR 0; 31 December 2006: USD 100,000,000 and RR 550,000) and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

v Cash Flow and Fair Value Interest Rate Risk

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short-term and long-term borrowings majority of which are at fixed interest rates. The Group has no significant interest-bearing assets.

28 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily

Joint Stock Company Acron
Notes to Condensed Consolidated Interim Financial Statements
for six months ending on 30 June 2007



(in thousands of Russian Roubles, except for per share data)

required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Available-for-sale investments are carried on the consolidated balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost, which approximates current fair value.

Fair values for available-for-sale investments carried at fair value were determined by using valuation techniques based on application guidance of IAS 39 (revised) on the basis of financial data of the investees and application of other valuation methodologies. It is reasonably possible based on existing knowledge that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the available-for-sale investments (refer to Note 15).

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate fair values.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As of 30 June 2007 and 31 December 2006 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.