

**JOINT STOCK COMPANY
“ACRON”**

**International Financial Reporting Standards
Condensed Consolidated Interim Financial
Statements for 6 months ended
30 June 2006**

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Joint Stock Company Acron
Condensed Consolidated Interim Balance Sheet at 30 June 2006
(in thousands of Russian Roubles, except for per share data)



	Note	30 June 2006	31 December 2005
ASSETS			
Non-current assets			
Property, plant and equipment	11	11,800,363	10,827,333
Leasehold land	10	252,376	267,423
Other non-current assets		16,775	13,267
Investment in associates		422,221	300,221
Investment available for sale	12	3,511,062	3,171,017
Long-term loans receivable	9	59,700	57,500
Total non-current assets		16,062,497	14,636,761
Current assets			
Inventories		3,398,315	3,444,653
Other current assets		47,488	38,591
Short term loans receivable	9	531,900	501,435
Accounts Receivable		2,738,691	2,393,120
Cash and cash equivalents	8	855,283	1,338,779
Total current assets		7,571,677	7,716,578
TOTAL ASSETS		23,634,174	22,353,339
EQUITY			
Share capital	14	3,125,018	3,125,018
Treasury shares	14	(39,737)	(39,737)
Share revaluation reserve		2,215,183	1,954,169
Cumulative currency translation difference		(21,401)	14,814
Retained earnings		6,853,467	5,691,717
Capital and reserves attributable to the Company equity holders		12,132,530	10,745,981
Minority interest		2,335,670	2,305,846
TOTAL EQUITY		14,468,200	13,051,827
LIABILITIES			
Non-current liabilities			
Long-term borrowings	13	2,432,847	2,217,329
Other long-term liabilities		260,417	243,881
Deferred tax liability	16	1,724,766	1,733,492
Total non-current liabilities		4,418,030	4,194,702
Current liabilities			
Accounts payable		1,026,814	1,470,129
Notes payable		260,835	343,329
Current income tax payable		16,688	105,027
Other taxes payables		106,534	204,011
Short-term borrowings	13	2,539,034	1,936,976
Advances received		577,779	1,007,865
Other current liabilities		220,260	39,473
Total current liabilities		4,747,944	5,106,810
Total liabilities		9,165,974	9,301,512
TOTAL LIABILITIES AND EQUITY		23,634,174	22,353,339

Approved for issue and signed on behalf of the Board of Directors on 27 September 2006.

I.N.Antonov
President

N.A.Pavlova
Chief Accountant

The accompanying notes on pages 6 to 17 are an integral part of the condensed consolidated interim financial statements.

Joint Stock Company Acron
Condensed Consolidated Interim Income Statement for 6 months ended 30 June 2006
(in thousands of Russian Roubles, except for per share data)



	Note	6 months of 2006
Revenue	6	12,188,831
Cost of sales		(7,594,253)
Gross profit		4,594,578
Transportation services		(619,434)
Sales, general and administrative expenses		(1,168,225)
Taxes other than income tax		(81,652)
Loss on disposal of property, plant and equipment, net		(35,354)
Other operating expenses		(101,768)
Dividends received		9,325
Property, plant and equipment impairment loss		(20,605)
Loss on investment disposal		(4,375)
Financial expenses		(155,053)
Currency translation differences		67,974
Profit before taxation		2,485,411
Income tax expense	16	668,826
Profit for the year		1,816,585
Profit attributable to:		
Equity holders of the Company		1,669,197
Minority interest		147,388
Profit for the year		1,816,585
Earnings per share for profit for the year attributable to the equity holders on the Company, basic and diluted (expressed in RR per share)	15	41.65

The accompanying notes on pages 6 to 17 are an integral part of the condensed consolidated interim financial statements.



	Note	6 months of 2006
Cash flows from operating activities		
Profit before taxation		2,485,411
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	11	471,915
Provision for / (reversal of) bad debts		(2,307)
Provision for write-down of inventory		26,481
Impairment loss		20,605
Gain, loss on disposal of property, plant and equipment		35,354
Gain, loss on disposal of investments		4,375
Financial expenses		155,053
Other income		(77,299)
Foreign exchange effect on non-operating balances		(129,211)
Operating cash flows before working capital changes		2,990,377
(Increase) / decrease in trade receivables		(345,571)
Increase in inventories		46,338
(Increase) / decrease in trade payables		(443,315)
(Increase) / decrease in other payables		(179,971)
Increase in advances from customers		(430,086)
Increase in other current assets		(8,897)
Decrease in other current liabilities		180,787
Net change in other non-current assets and liabilities		13,028
Cash generated from operations		1,822,690
Income taxes paid		(761,040)
Interest paid		(171,814)
Net cash generated from operating activities		889,836
Cash flows from investing activities		
Purchase of property, plant and equipment		(1,448,003)
Sale of property, plant and equipment		4,725
Loans provided, net	9	(32,665)
Interest received		37,033
Dividends received		9,325
Purchase of investments		(142,765)
Sale of investments		1,338
Net cash used in investing activities		(1,571,012)
Cash flows from financing activities		
Dividends paid to shareholders		(509,556)
Dividends paid to minority shareholders		(65,738)
Increase / (decrease) in short-term borrowings	13	602,058
Increase / (decrease) in long-term borrowings	13	215,518
Net cash used in financing activities		(44 602)
Effect of exchange rate changes on cash and cash equivalents		(44 602)
Net increase in cash and cash equivalents		(483,496)
Cash and cash equivalents at the beginning of the year		1,338,779
Cash and cash equivalents at the end of the year		855,283

The accompanying notes on pages 6 to 17 are an integral part of the condensed consolidated interim financial statements.

Joint Stock Company Acron
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
for 6 months ended 30 June 2006

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



	Capital and reserves attributable to the Company equity holders					Minority interest	Total shareholders' equity
	Share capital	Treasury shares	Retained earnings	Investment revaluation reserve	Cumulative currency translation difference		
Balance at 31 December 2005	3,125,018	(39,737)	7,645,886	-	14,814	2,305,846	13,051,827
Reserve for revaluation of available-for-sale investments			(1,954,169)	1,954,169			
Adjusted at 1 January 2006	3,125,018	(39,737)	5,691,717	1,954,169	14,814	2,305,846	13,051,827
Profit for 6 months of 2006	-	-	1,669,197	-	-	147,388	1,816,585
Dividends	-	-	(509,556)	-	-	(65,738)	(575,294)
Reserve for investment revaluation	-	-	-	261,014	-	-	261,014
Translation difference	-	-	2,109	-	(36,215)	(51,826)	(85,932)
Balance as of 30 June 2006	3,125,018	(39,737)	6,853,467	2,215,183	(21,401)	2,335,670	14,468,200

The accompanying notes on pages 6 to 16 are an integral part of the condensed consolidated interim financial statements.



1 Acron Group and Its Operations

The principal activities of Joint Stock Company Acron (hereinafter referred to as the “Company” or “Acron”) and its subsidiaries (hereinafter jointly referred to as the “Group” or “Acron Group”) 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 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. In May 2005 the Group has also acquired 100% shares in Acronagrotrans Ltd (BVI), which major asset is a 50.5% stake in Shandong Hongri Acron Chemical Joint Stock Company Ltd (China).

The Group's immediate major shareholders as of 30 June 2006 are: ZAO Acronagroservice (19.78% of voting share capital), Qestar Holdings Limited (18.95%), Refco Holdings Limited (19.47%) and Granadilla Holdings Limited (13.26%). The Group's subsidiary JSC Dorogobuzh holds 8.54% of the Company's shares. The remaining 15.68% is held in the name of ZAO DCC on behalf of a number of various individual stakes and 4.32% belong to shareholders each holding less than 2% of the Company's shares.

The Company's registered office is located in Veliky Novgorod, the Russian Federation.

2 Basis of Preparation of the Financial Statements

These condensed consolidated financial statements for 6 months ended 30 June 2006, have been prepared in accordance with IFRS 34 *Interim Financial Reporting*. These interim financial statements shall be considered together with the consolidated financial statements for year ended 31 December 2005.

3 Accounting Policies

The applied accounting policies are the same used for the preparation of the annual financial statements for the year ended 31 December 2005, and described in the consolidated financial statements for the year ended 31 December 2005.

4 Adoption of New or Revised Standards and Interpretations

Listed below are new or amended standards or interpretations which are obligatory for the financial year ending on 31 December 2006:

IAS 19 (Amendment) – Employee Benefits (effective from 1 January 2006). This amendment does not have any impact on the Group's statements.

IAS 39 (Amendment) The Fair Value Option (effective from 1 January 2006). The Group reclassified certain financial assets classified until 1 January 2006 as recordable at fair value through profit and loss into available for sale category.

IAS 21 (Amendment) Net Investment in a Foreign Operation (effective from 1 January 2006). This amendment does not have any effect on the Group's statements.

IAS 39 (Amendment) Cash Flow Hedges of Forecast Intragroup Transactions (effective from 1 January 2006). This amendment does not have any impact on the Group's statements.



Adoption of New or Revised Standards and Interpretations (continued)

IAS 39 (Amendment) and IFRS 4 (Amendment) Financial Guarantee Contracts (effective from 1 January 2006). These amendments do not have any impact on the Group's statements.

IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006). This Standard does not have any impact on the Group's statements.

IFRIC 4 Determining whether an Arrangement Contains a Lease (effective from 1 January 2006). The Group performed analysis of its contracts. Some of them are to be recorded as lease contracts in accordance with IAS 17 Leases. However, such lease contracts are operational lease contracts, and their reclassification does not have any impact on the expenses, disclosed in connection therewith.

IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds (effective from 1 January 2006). This Interpretation does not have any impact on the Group's statements.

IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 January 2006). This Interpretation does not have any impact on the Group's statements.

5 New Accounting Pronouncements

Certain new standards, amendments and interpretations have been published that are not mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods and which the entity has not early adopted:

IFRIC 7 Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after March 1, 2006). The management does not expect this interpretation to have any impact on the Group's statements.

IFRIC 8 Scope of IFRS 2 (effective for periods beginning on or after May 1, 2006). The Group is in process of assessing the effect of IFRIC 8 on the disclosures in the Group's financial statements.

IFRIC 9 Reassessment of Embedded Derivatives (effective for periods beginning on or after June 1, 2006). The management is assured that this Interpretation does not have any material effect of the disclosure of financial derivatives, as the Group is already assessing whether such derivatives need to be separated in accordance with the principles complying with IFRIC 9.

IFRIC 10 Interim Financial Reporting and Impairment (effective for periods beginning on or after November 1, 2006). The Group is in process of assessing the effect of IFRIC 10 on the disclosures in the Group's financial statements.

IFRS 7 Financial Instruments: Disclosures and Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective for reporting years beginning on or after 1 January 2007). The Group has assessed the impact of IFRS 7 and Amendment to IAS 1 and concluded that the key additional information to be disclosed relates to market risk sensitivity analysis and capital disclosures. The Group will start applying IFRS 7 and Amendment to IAS 1 from the accounting year beginning on 1 January 2007.

6 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 countries.

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.

Joint Stock Company Acron
Selected Notes to Condensed Consolidated Interim Financial Statements
for 6 months ended 30 June 2006



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

<u>Revenue</u>	6 months of 2006
Overseas	8,206,944
Russia and CIS countries	3,981,887
	12,188,831
<hr/>	
<u>Total assets</u>	
Overseas	5,246,940
Russia and CIS countries	18,387,234
	23,634,174

The key buyers of the export goods during 6 months of 2006 were:

- NPKHemical Trading, Inc - 29% of export sales;
- Agronitrogen Logistics, Ltd - 25% of export sales;
- Kemira GrowHow Oyj - 11% of export sales.

The sales to the above entities are included in the overseas segment as risks and returns on them are similar to other overseas sales.

7 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 at 31 December 2006 and 2005 is 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:

Balance sheet caption	Note	30 June 2006	31 December 2005
Trade receivables, gross		200,460	174,707
Provision for impairment of trade receivables		(74,106)	(103,880)
Prepayments		64,605	78,876
Short-term loans issued	9	201,900	191,504
Long-term loans issued	9	59,700	57,500
Trade payables		(20,653)	(7,282)
Advances from customers		(2,178)	(2,710)

ii Transactions with related parties:

Income Statement caption	6 months of 2006
Revenue	1,032,917
Purchases	(11,019)
Transportation services	(589,040)
Security services	(53,669)



iii Cross shareholding

As of 30 June 2006 JSC "Dorogobuzh", a 65.41% subsidiary of the Company, owned 4,071,600 (or 8.54%) ordinary shares of the Company. Shares owned by JSC "Dorogobuzh" are accounted for as treasury shares, but retain their voting rights and dividends.

iv Loans issued

As of 30 June 2006 and 31 December 2005 short-term loans denominated in Russian Roubles totalled RR 201,900 and RR 191,504, respectively, at interest rates in the range of 10.5% to 12%. The loans are unsecured.

As of 30 June 2006 and 31 December 2005 long-term loans denominated in Russian Roubles totalled RR 59,700 and RR 57,500, respectively, at interest rate of 10.5%. The loans are unsecured.

In six months of 2006, the Group accrued interest income of RR 32,626.

8 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 June 2006	31 December 2005
RR denominated cash on hand and balances with banks	120,662	468,096
Foreign currency denominated balances with bank	734,621	870,683
	855,283	1,338,779

9 Loans Receivable

	30 June 2006	31 December 2005
Short-term loans receivable		
Loans issued to related parties (refer to Note 7)	201,900	191,504
Loans issued to third parties	330,000	309,931
	531,900	501,435
Long-term loans receivable		
Loans issued to related parties (refer to Note 7)	59,700	57,500
	59,700	57,500

As of 30 June 2006 and 31 December 2005 short-term loans denominated in Russian Roubles totalled RR 531,900 and RR 501,435, respectively, at interest rates in the range of 10% to 12%. The loans were unsecured.

As of 30 June 2006 and 31 December 2005 long-term loans denominated in Russian Roubles totalled RR 59,700 and RR 57,500 at interest rate of 10.5%. The loans were unsecured.

In 6 months of 2006, the Group accrued interest income of RR 32,626.



10 Leasehold Land

	6 months of 2006
<u>Cost</u>	
Balance as of 1 January 2006	299,255
Disposals	-
Translation difference	(14,973)
Balance as of 30 June 2006	284,282
<u>Accumulated amortization</u>	
Balance as of 1 January 2006	31,832
Amortization for the year	1,667
Disposals	-
Translation difference	(1,593)
Balance as of 30 June 2006	31,906
<u>Net book value</u>	
Balance as of 1 January 2006	267,423
Balance as of 30 June 2006	252,376

As of 30 June 2006, the Group's leasehold land with net book value of RR 252,376 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 relates 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 2006, land use right with a net book value of RR 141,716 (initial cost of RR 177,355) had been pledged as security for long-term loans.

11 Property, Plant and Equipment

	Property, Plant and Equipment	Assets under construction	Total
<u>Cost</u>			
Balance as of 1 January 2006	34,616,335	1,585,575	36,201,910
Additions	-	1,626,851	1,626,851
Transfers	568,971	(568,971)	-
Disposals	(205,622)	-	(205,622)
Translation difference	(127,133)	(27,240)	(154,373)
Balance as of 30 June 2006	34,852,551	2,616,215	37,468,766
<u>Accumulated Amortization</u>			
Balance as of 1 January 2006	25,314,724	-	25,314,724
Depreciation charge	470,248	-	470,248
Disposals	(166,237)	-	(166,237)
Translation difference	(27,399)	-	(27,399)
Balance as of 30 June 2006	25,591,336	-	25,591,336

Joint Stock Company Acron
Selected Notes to Condensed Consolidated Interim Financial Statements
for 6 months ended 30 June 2006



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

Accumulated Impairment Loss

Balance as of 1 January 2006	58,822	1,031	59,853
Impairment loss	20,255	-	20,255
Translation difference	(2,992)	(49)	(3,041)
Balance as of 30 June 2006	76,085	982	77,067

Net Book Value

Balance as of 1 January 2006	9,242,789	1,584,544	10,827,333
Balance as of 30 June 2006	9,185,130	2,615,233	11,800,363

At 30 June 2006, buildings, machinery and equipment with a net book value of RR 195,932 (initial cost of RR 267,379) had been pledged as security for long-term loans.

12 Available-for-Sale Investments

	6 months of 2006
Balance as of 1 January 2006	3,171,017
Additions	2,031
Fair value gain	343,438
Disposals	(5,424)
Balance as of 30 June 2006	3,511,062

Investments previously classified as Investments at fair value through profit or loss were designated by the Group as available-for-sale investments in line with requirements of IAS 39 (revised) effective from 1 January 2006. 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 multipliers of enterprise value to sales and EBIT were 2.5 and 9.7 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 the last date of the reporting period.

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2006	31 December 2005
OA0 Sylvinit	KCl mining	Russia	2,792,132	2,294,272
OA0 Apatite	Apatite concentrate mining	Russia	523,060	689,731
OA0 Sberbank	Banking	Russia	114,455	93,360
Other			81,415	93,654
			3,511,062	3,171,017

13 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2006	31 December 2005
Bonds issued	903,906	904,255
Term loans	4,067,975	3,250,050
	4,971,881	4,154,305



In June 2005 the Group's subsidiary JSC Dorogobuzh issued 900 thousand non-convertible three year Russian Rouble denominated bonds (at par value 1,000 rubles each) totalling 900 thousand Russian Roubles with semi-annual coupon payments of 9.9% per annum for the first, second and third coupons. Simultaneously with approving the starting date of the bonds offering, the Board of Directors of JSC Dorogobuzh approved the decision to redeem the bonds at the end of the third coupon period, which obliges to ensure the the bonds holders' rights to request JSC Dorogobuzh to redeem the bonds at the end of the third coupon period.

The Group's borrowings mature as follows:

	30 June 2006	31 December 2005
Borrowings due:		
- within 1 year	2,539,034	1,936,976
- between 1 and 5 years	2,432,847	2,217,329
	4,971,881	4,154,305

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

	30 June 2006	31 December 2005
Borrowings denominated in:		
- Russian Roubles	1,154,146	912,307
- US Dollars	1,677,585	1,781,732
- RMB	2,140,150	1,460,266
	4,971,881	4,154,305

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

	30 June 2006	31 December 2005
Bonds	903,906	904,255
ZAO Commerzbank (Eurasia)	81,237	247,530
ZAO Raiffaizenbank Austria	-	287,825
Sberbank Russia	250,000	-
Construction Bank, China	231,059	249,557
Bank of China	336,793	35,651
Agricultural Bank, China	338,656	-
Other loans	129,845	26,557
Current portion of long-term debt	267,538	185,601
Total short-term debt	2,539,034	1,936,976

Short-term loans from Sberbank-Moscow denominated in Russian Roubles totalled RR 250,000 as of 30 June 2006 (31 December 2005: RR Nil) at interest rate of 7%. The loan maturity is 2nd quarter of 2007.

Short-term loan from Commerzbank denominated in foreign currency totalled USD 3,000,000 as of 30 June 2006 (31 December 2005: USD 8,600,000) at interest rates LIBOR+3.75% (31 December 2005: USD 8,600,000). The loan maturity period is 1st quarter of 2007.

Short-term loan from Raiffeisenbank Austria denominated in foreign currency totalled USD 10,000,000 as of 31 December 2005 (30 June 2006: Nil) at interest rates LIBOR+3.5%. The loan has been fully repaid.

Short-term loans in RMB were extended at interest rates of 5.4% to 8.28% per annum. These loans were secured by unrelated parties in return for the guarantees provided by the Group for the borrowings, raised by unrelated parties.



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

	30 June 2006	31 December 2005
Moskovskiy Narodniy Bank Limited	812,367	431,738
OAO Promyshlenno-Stroitelniy bank	-	431,738
ZAO Moscow International Bank	54,158	371,313
Sberbank Russia	717,591	-
Construction Bank, China	609,580	641,718
Development Bank, China	506,689	526,423
Less current portion of long-term debt	(267,538)	(185,601)
Total long-term debt	2,432,847	1,229,120

Long-term loan from Moscow International Bank denominated in foreign currency totalled USD 2,000,000 as of 30 June 2006 (31 December 2005 – USD 12,900,000) at interest rate LIBOR+2.75%-3.75%. The loan maturity is 2nd quarter of 2009.

Long-term loan from Promstroibank denominated in foreign currency totalled USD 15,000,000 as of 31 December 2005 (30 June 2006: Nil) at interest rate LIBOR+4.51%. The loan has been fully repaid.

Long-term loan from Moscow Narodniy Bank denominated in foreign currency totalled USD 30,000,000 as of 30 June 2006 (31 December 2005: USD 15,000,000) at interest rate LIBOR+3.45%. The repayment period shall commence from the 4th quarter of 2008.

Long-term loans from Sberbank-Moscow denominated in foreign currency totalled USD 26,500,000 as of 30 June 2006 (31 December 2005: RR Nil) at interest rate of 7.9% to 8.4%. The loan maturity is 1st quarter of 2009.

Long-term bank loans in RMB were obtained at interest rates of 6.12% to 6.435% per annum. As of 30 June 2006 bank loans of RR 778,641 were guaranteed by unrelated parties in return for guarantees provided by the Group for the borrowings obtained by unrelated parties. The remaining balance was collateralised by buildings, machinery and equipment with a net book value of RR 195,932 (refer to Note 11) and land use right with a net book value of RR 141,716 (refer to Note 10).

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.

14 Shareholders' Equity

The following table reflects the total number of outstanding shares:

	No. of outstanding ordinary shares	No. of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
As of 31 December 2005	47,687,600	(4,071,600)	3,125,018	(39,737)	3,085,281
As of 30 June 2006	47,687,600	(4,071,600)	3,125,018	(39,737)	3,085,281

As of 31 December 2005 and 30 June 2006, the Company's shareholders' equity consisted of 47,687,600 outstanding ordinary shares with a par value of RR 5 per share.

Joint Stock Company Acron
Selected Notes to Condensed Consolidated Interim Financial Statements
for 6 months ended 30 June 2006



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

A dividend was declared in 2006 in respect of the year ended 31 December 2005 in the amount of RR 11 on ordinary share with par value of RR 5. The dividend was declared in addition to interim dividends declared during year 2005 in the amount of RR 102 on ordinary share with par value of RR 29,000 per share.

15 Earnings per Share

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 outstanding ordinary shares during the year, excluding treasury shares. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

	6 months of 2006
Weighted average number of shares outstanding	47,687,600
Adjusted for weighted average number of treasury shares	(4,071,600)
Weighted average number of shares outstanding	43,616,000
Profit attributable to the equity holders of the Company	1,816,585
Basic and diluted earnings per share (in Russian Roubles) attributable to the equity holders of the Company	41.65

16 Income Taxes

	6 months of 2006
Income tax expense – current	760,858
Deferred tax charge/(credit) – origination and reversal of temporary differences	(92,033)
Income tax charge	668,826

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

	6 months of 2006
Profit before taxation	2,485,411
Theoretical tax charge at statutory rate of 24%	596,499
Tax effect of items which are not deductible or assessable for taxation purposes:	
Income not taxable	(2,239)
Other non-deductible expenses	74,566
Income tax charge	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% (except for income on state securities that is taxed at 15%).

	31 December 2005	(Charged) / credited to profit or loss	30 June 2006
Tax effects of taxable temporary differences:			

Joint Stock Company Acron
Selected Notes to Condensed Consolidated Interim Financial Statements
for 6 months ended 30 June 2006



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

Property, plant and equipment	1,104,542	(60,664)	1,043,878
Investments	829,613	53,807	883,420
Other temporary differences	(10,735)	7,716	(3,019)
Tax effects of deductible temporary differences:			
Inventories	(22,180)	(19,592)	(41,772)
Accounts receivable	(67,002)	(4,498)	(71,500)
Accounts payable	(35,834)	(17,402)	(53,236)
Employee benefit obligation	(64,912)	31,907	(33,005)
Recognised deferred tax liability	1,733,492	(8,726)	1,724,766
Including:			
Long-term deferred tax liability	764,701		850,415
Short-term deferred tax assets	968,791		874,351

17 Subsequent Events

Dividends. On 31 August 2006, extraordinary shareholders' meeting adopted the resolution to pay the dividends upon the results of the first 6 months of 2006 in the amount of RR 11 per share.