

**JOINT STOCK COMPANY
ACRON**

**International Financial Reporting Standards
Condensed Consolidated Interim Financial
Statements for nine months, ending on
30 September 2007**

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



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

	Note	30.09.2007	31.12.2006
ASSETS			
Non-current assets			
Property, plant and equipment	12	12,437,912	12,233,590
Intangible asset	13	228,924	237,843
Leasehold land	11	146,829	151,221
Goodwill	14	1,023,601	1,023,601
Other non-current assets		27,304	27,774
Investments in associates	15	422,221	422,221
Available-for-sale investments	16	6,089,423	4,899,386
Long-term loans receivable	9	109,416	125,525
Total non-current assets		20,485,630	19,121,161
Current assets			
Inventories	10	3,206,020	3,529,410
Other current assets		58,595	45,756
Short-term loans receivable	9	710,330	577,491
Accounts receivable	8	3,999,032	3,722,288
Dividends receivable		144,235	11,605
Cash and cash equivalents	7	2,103,471	1,239,287
Total current assets		10,221,683	9,125,837
TOTAL ASSETS		30,707,313	28,246,998
EQUITY			
Share capital	20	3,125,018	3,125,018
Treasury shares	20	(39,737)	(39,737)
Retained earnings		8,784,226	6,933,595
Revaluation reserve		4,035,025	3,180,513
Cumulative currency translation difference		(22,267)	3,586
Capital and reserves attributable to the Company equity holders		15,882,265	13,202,975
Minority interest		1,962,416	1,847,772
TOTAL EQUITY		17,844,681	15,050,747
LIABILITIES			
Non-current liabilities			
Long-term borrowings	19	4,426,949	5,278,124
Other long-term liabilities		257,038	276,648
Deferred tax liability	24	2,124,992	1,939,748
Total non-current liabilities		6,808,979	7,494,520
Current liabilities			
Accounts payable	17	2,114,481	2,174,066
Notes payable		132,871	250,405
Current income tax payable		94,405	75,834
Other taxes payable	18	164,023	149,328
Short-term borrowings	19	2,500,161	1,764,057
Advances received		826,811	1,235,287
Other current liabilities		220,901	52,754
Total current liabilities		6,053,653	5,701,731
Total liabilities		12,862,632	13,196,251
TOTAL LIABILITIES AND EQUITY		30,707,313	28,246,998

Approved for issue and signed on behalf of the Board of Directors on 10 January 2008.

I.N. Antonov
President

N. A. Pavlova
Chief Accountant

The accompanying notes on pages 6 to 24 are an integral part of the consolidated financial statements.

Joint Stock Company Acron
Condensed Consolidated Interim Income Statement
for six months ending on 30 September 2007
(in thousands of Russian Roubles except for per share data)

	Note	9 months of 2007	9 months of 2006
Revenue	5	21,673,961	17,642,386
Cost of sales		(14,130,638)	(11,772,600)
Gross profit		7,543,323	5,869,786
Transportation services		(894,436)	(860,552)
Selling, general and administrative expenses		(2,207,521)	(1,924,691)
Taxes other than income tax		(55,656)	(116,561)
(Loss) / gain on disposal of property, plant and equipment, net		(45,429)	(126,009)
Goodwill		-	(591,803)
Other operating expenses		(1,819)	(941)
Other income and expenses	22	234,558	53,861
Finance expense	21	(280,766)	(240,792)
Profit before taxation		4,292,254	2,062,298
Income tax expense	24	(1,080,042)	(699,749)
Profit for the period		3,212,212	1,362,549
Profit is attributable to:			
Equity holders of the Company		2,917,031	1,549,179
Minority interest		295,181	(186,630)
Profit for the period		3,212,212	1,362,549
Earnings per share for profit for the year attributable to the equity holders on the Company, basic and diluted (expressed in RR per share)	23	66.88	35.52

The accompanying notes on pages 6 to 24 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 September 2007
(in thousands of Russian Roubles except for per share data)

	Note	9 months of 2007	9 months of 2006
Cash flows from operating activities			
Profit before taxation		4,292,254	2,062,298
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	743,830	694,344
Provision for/(reversal of) bad debts		5,689	(5,323)
(Reversal of)/increase in provision for partial write-down of inventory		33,210	56,124
Impairment loss		-	(36,632)
Gain, loss on disposal of property, plant and equipment		45,429	126,009
Gain, loss on disposal of investment		-	31,856
Financial expense		412,502	266,248
Other revenues		(234,558)	37,572
Foreign exchange effect on non-operating balances		(38,425)	(83,758)
Operating cash flow before working capital changes		5,259,931	3 148 738
(Increase) / decrease in trade receivables		(844,416)	(532 875)
Increase in inventories		290,180	385,815
(Decrease) / increase in trade payables		(177,119)	(19,834)
(Decrease) / increase in other payables		2,163	(279,945)
Increase in advances from customers		(408,476)	(144,723)
Increase in other current assets		(12,839)	(47,219)
Decrease in other current liabilities		168,147	229,690
Net change in other non-current assets and liabilities		(19,140)	23,877
Cash generated from operations		4,687,784	2,763,524
Profit taxes paid		(1,258,244)	(1,004,803)
Interest paid		(419,096)	(274,084)
Net cash generated from operating activities		3,010,444	1 484 637
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,101,914)	(2 207 161)
Sale of property, plant and equipment		40,069	5,161
Loans provided, net	9	(116,730)	(105,629)
Interest received		36,109	40,905
Dividend received		23,089	27,410
Purchase of investments		(65,679)	(149,745)
Sale of investments		-	1,338
Net cash used in investing activities		(1,185,056)	(2,387,721)
Cash flows from financing activities			
Dividends paid to shareholders		(867,605)	(575,652)
Dividends paid to minority shareholders		-	(94,996)
Increase / (decrease) in short-term borrowings	18	736,104	687,638
Increase / (decrease) in long-term borrowings	18	(851,175)	960,527
Net cash used in financing activities		(982,676)	977,517
Effect of exchange rate changes on cash and cash equivalents		32,827	21,472
Net increase in cash and cash equivalents		864,184	18,310
Opening cash and cash equivalents balance		1,239,287	1,338,779
Closing cash and cash equivalents balance		2,103,471	1,357,089

The accompanying notes on pages 6 to 24 are an integral part of the consolidated financial statements.

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

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



Capital and reserves attributable to the Company shareholders

	Share capital (Note 19)	Treasury shares (Note 19)	Retained earnings	Revaluatio n 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	15,050,748
Balance as of 1 January 2007	3,125,018	(39,737)	6,933,595	3,180,513	3,586	1,847,772	15,050,748
Revaluation of investments available- for-sale (Note 15)	-	-	-	1,124,360	-	7,745	1,132,105
Minority interest on fair value gains from cross shareholding (Note 6)	-	-	118,353	-	-	(113,352)	5,001
Currency translation differences	-	-	-	-	(25,853)	(77,267)	(103,120)
Deferred tax recorded in equity (Note 24)	-	-	-	(269,848)	-	(1,859)	(271,707)
Net income recognized directly in equity	-	-	118,353	854,512	(25,853)	(184,733)	762,279
Profit for the year	-	-	2,917,031	-	-	295,181	3,212,212
Total recognised revenue for nine months of 2007	-	-	3,035,384	854,512	(25,853)	110,448	3,974,491
Dividends	-	-	(1,184,753)	-	-	4,196	(1,180,557)
Balance as of 30 September 2007	3,125,018	(39,737)	8,784,226	4,035,025	(22,267)	1,962,416	17,844,681

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Notes to Condensed Consolidated Interim Financial Statements
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(in thousands of Russian Roubles, except for earnings per share amounts)



1 Acron Group and Its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the period ended 30 September 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 September 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 September 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.

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

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- 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 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.

<u>Revenue</u>	9 months of 2007	9 months of 2006
Overseas	14,149,487	12,540,886
Russia and CIS countries	7,524,474	5,101,500
	21,673,961	17,642,386

<u>Total assets</u>	30 September 2007	31 December 2006
Overseas	3,437,522	5,246,940
Russia and CIS countries	27,269,791	18,387,234
	30,707,313	23,634,174

The Group sells to two international traders trading entities that account for the majority of its sales outside of Russia. During 9 months of 2007, AgroNitrogen Logistics Ltd. and NPKchemical Trading Inc. purchased 17% and 11% 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 at 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:

Balance sheet caption	Nature of Relations	30 September 2007	31 December 2006
Trade receivables, gross	Companies under common control	261,504	140,853
Provision for impairment of trade receivables	Companies under common control	(77,990)	(65,556)
Prepayments	Companies under common control	111,234	98,763
Other receivables	Companies under common control	-	10,594
Loans issued	Companies under common control	189,705	327,569
Loans received	Companies under common control	-	8,000
Trade payables	Companies under common control	27,526	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	30,743	32,815

ii Transactions with related parties:

Income statement caption	Nature of Relations	30 September 2007	31 December 2006
Sales of chemical fertilizers	Companies under common control	1,928,098	1,310,644
Purchases of raw materials	Companies under common control	(128,677)	(28,339)
Purchase of transportation services	Companies under common control	(1,552,806)	(987,419)
Security services	Companies under common control	(97,587)	(87,868)

iii Cross shareholding:

As of 30 September 2007 JSC "Dorogobuzh", a 71.57% subsidiary of the Company (71.57% in 2006), owned 4,071,600 ordinary shares or 8.54% of the ordinary share capital of the Company (2006: 4,071,600 ordinary

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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 September 2007 and 31 December 2006 short-term loans totalled RR 83,895 и RR 228,700, respectively, at interest rate in the range of 10.5%. As of 30 September 2007 and 31 December 2006 short-term loans denominated in USD totalled RR 0 (USD 0; 2006 – USD 1,672,000) at interest rate in the range of 8.5% to 9.0%.

As of 30 September 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 105,810 (USD 4,241,000; 2006 – USD 746,000) at interest rates of 9%. The loans are unsecured.

For nine months of 2007 the Group accrued interest income of RR 30,439.



7 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 September 2007	31 December 2006
RR denominated cash on hand and balances with banks	1,548,637	338,336
Foreign currency denominated balances with bank	554,834	900,951
	2,103,471	1,239,287

8 Accounts Receivable

	30 September 2007	31 December 2006
Trade accounts receivable (refer to Note 6)	976,232	1,043,635
Value-added tax recoverable	797,418	1,133,237
Settlements on claims	58,397	59,288
Income tax prepayments	66,010	28,313
Advances to suppliers	1,999,080	1,087,261
Other taxes receivable	17,257	19,756
Notes receivable	116,498	147,856
Other accounts receivable	184,329	396,190
	4,215,221	3,915,536
Less impairment provision for trade and other receivables	(216,189)	(193,248)
	3,999,032	3,722,288

As of 30 September 2007 the Group had accounts receivable of RR 33,908 (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 18,751 (RR 107,811 as of 31 December 2006).

9 Loans Receivable

	30 September 2007	31 December 2006
Short-term loans receivable		
Loans issued to related parties (refer to Note 6)	83,895	272,724
Loans issued to third parties	626,435	304,767
	710,330	577,491
Long-term loans receivable		
Loans issued to related parties (refer to Note 6)	3,606	105,883
Loans issued to third parties	105,810	19,642
	109,416	125,525

As of 30 September 2007 and 31 December 2006 short-term loans denominated in RR totalled RR 710,330 and 533,467, respectively, at interest rates in the range of 5.2 % to 12%. The loans were unsecured.

As of 30 September 2007 short-term loans denominated in USD totalled RR 0 (USD 0; 31 December 2006 – USD 1,672,000).

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As of 30 September 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.

As of 30 September 2007 long-term loans denominated in USD totalled RR 105 810 (USD 4,241,000; 31 December 2006 – USD 746,000).

In nine months of 2007 the Group accrued interest income of RR 51,251.

10 Inventories

	30 September 2007	31 December 2006
Raw materials and spare parts	2,598,152	2,676,665
Work in progress	11,468	106,068
Finished products	496,400	746,677
	3,206,020	3,529,410

Included in raw materials and spare parts are catalysers of RR 179,490 (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 321,435 (31 December 2006: 295,568). No inventory was pledged as security at September 30, 2007 (2006: Nil).

11 Leasehold Land

	30 September 2007	31 December 2006
<u>Initial cost</u>		
Balance as of January 1	170,420	299,255
Disposals	-	(112,664)
Translation difference	(2,560)	(16,171)
Closing balance	167,860	170,420
<u>Accumulated amortization</u>		
Balance as of January 1	19,199	31,832
Amortization for the year	2,121	3,982
Disposals	-	(14,895)
Translation difference	(285)	(1,720)
Balance at 31 December	21,031	19,199
Net book value as of January 1	151,221	267,423
Closing net book value	146,829	151,221

As of 30 September 2007, the Group's leasehold land with net book value of RR 150,325 (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 September 2007, land use right with initial cost of RR 146,928 was pledged as security for long-term loans (Note 18).



12 Property, Plant and Equipment

	Buildings and constructions	Plant and equipment	Transport	Other	Assets under construction	Total
Historic cost						
Balance as of 1 January 2006	16,937,230	18,383,078	702,023	480,986	1,585,576	38,088,893
Acquisitions through business combinations	292,442	60,743	-	-	405	353,590
Additions	-	-	-	-	2,701,907	2,701,907
Transfers	281,157	1,225,467	520,458	78,562	(2,105,644)	-
Disposals	(319,730)	(629,713)	(17,176)	(27,091)	(34,890)	(1,028,600)
Translation difference	(36,516)	(93,520)	(3,852)	(3,416)	(29,419)	(166,723)
Balance as of 31 December 2006	17,154,583	18,946,055	1,201,453	529,041	2,117,935	39,949,067
Accumulated Depreciation						
Balance as of 1 January 2006	10,904,380	15,480,741	557,560	259,026	-	27,201,707
Depreciation on acquisitions through business combinations	239,364	34,646	-	-	-	274,010
Depreciation charge	315,963	529,365	38,566	36,458	-	920,352
Disposals	(146,312)	(523,647)	(12,363)	(21,630)	-	(703,952)
Translation difference	(3,856)	(23,591)	(593)	(1,551)	-	(29,591)
Balance as of 31 December 2006	11,309,539	15,497,514	583,170	272,303	-	27,662,526
Accumulated Impairment Loss						
Balance as of 1 January 2006						
Impairment loss	36,406	18,854	-	3,561	1,032	59,853
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)	(55)	(3,287)
Balance as of 31 December 2006	4,690	38,650	-	5,447	4,164	52,951
Net book value						
Balance as of 1 January 2006	5,996,444	2,883,483	144,463	218,399	1,584,544	10,827,333
Balance as of 31 December 2006	5,840,354	3,409,891	618,283	251,291	2,113,771	12,233,590

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



14 Property, Plant and Equipment (continued)

	Buildings and constructions	Plant and equipment	Transport	Other construction	Assets under	Total
Historic cost						
Balance as of 1 January 2007	17,154,583	18,946,055	1,201,453	529,040	2,117,935	39,949,067
Additions	-	-	-	-	1,109,714	1,109,714
Transfers	497,725	671,072	45,645	32,401	(1,246,843)	-
Disposals	(360,246)	(809,516)	(24,072)	(32,304)	-	(1,226,138)
Translation difference	(12,355)	(33,285)	(1,226)	(998)	(1,074)	(48,938)
Balance as of 30 September 2007	17,279,707	18,774,325	1,221,800	528,140	1,979,732	39,783,704
Accumulated Depreciation						
Balance as of 1 January 2007	11,309,539	15,497,514	583,170	272,303	-	27,662,526
Depreciation charge	251,520	396,393	61,683	25,315	-	734,911
Disposals	(247,960)	(804,673)	(18,990)	(22,460)	-	(1,094,083)
Translation difference	(1,354)	(7 538)	(260)	(549)	-	(9,701)
Balance as of 30 September 2007	11,311,745	15,081,696	625,603	274,609	-	27,293,653
Accumulated Impairment Loss						
Balance as of 1 January 2007	4,690	38,650	-	5,447	4,164	52,951
Impairment loss	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Translation difference	(84)	(583)	-	(83)	(62)	(812)
Balance as of 30 September 2007	4,606	38,067	-	5,364	4,102	52,139
Net book value						
Balance as of 1 January 2007	5,840,354	3,409,891	618,283	251,291	2,113,771	12,233,590
Balance as of 30 September 2007	5,963,356	3,654,562	596,197	248,167	1,975,630	12,437,912

As of 30 September 2007, buildings, machinery and equipment with cost of RR 262,235 (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.

As of 30 September 2007, borrowing cost of RR 0 has been capitalized as property, plant and equipment (2006: 0).



13 Intangible assets

Changes in intangible assets in a subsidiary of the Group are shown below:

	30 September 2007	31 December 2006
Historic cost		
Balance as of 1 January	237,843	-
Additions	-	237,843
Disposals	-	-
Closing balance	237,843	237,843
Accumulated amortisation		
Balance as of 1 January	-	-
Amortisation charge	8,919	-
Disposals	-	-
Closing balance	8,919	-
Net book value		
Balance as of 1 January	237,843	-
Closing balance	228,924	237,843

In 2006 a subsidiary of the Group has obtained licenses for production of apatite-nephelinic ores from deposits in Murmansk region. The licenses were granted for 20 years. The exploitation of the deposits was planned to begin in 2009.

14 Goodwill

	30 September 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 September 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.



15 Investments in Associates

	30 September 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 nine months of 2007 its interest in the authorized capital of its associate remained at 21%.

16 Available-for-sale Investments

	30 September 2007	31 December 2006
Balance as of January 1	4,899,386	3,171,017
Additions	94,432	76,196
Fair value gain	1,132,105	1,686,889
Disposals	(36,500)	(34,716)
Closing balance	6,089,423	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 September 2007.

The Group has investments in the following companies:

Name	Activity	Country of registration	30 September 2007	31 December 2006
JSC Sylvinit	KCl mining	Russia	4,938,411	3,864,240
JSC Apatite	Apatite concentrate mining	Russia	703,491	672,800
JSC Sberbank	Banking	Russia	245,453	227,213
Other			202,068	135,133
			6,089,423	4,899,386

The share price quoted by RTS for JSC Apatite and JSC Sylvinit amounted to USD 100 and 437 for 1 share as of 30 September 2007 and USD 86 and 280 as of 31 December 2006 respectively.



17 Accounts Payable

	30 September 2007	31 December 2006
Trade accounts payable (refer Note 6)	934,760	797,282
Payables to employees	298,549	330,896
Dividends payable	688,920	450,886
Deferred purchase consideration for acquisition of new subsidiaries and additional interest in existing subsidiaries	-	474,256
Accrued liabilities and other creditors	192,252	120,746
	2,114,481	2,174,066

18 Other Taxes Payable

	30 September 2007	31 December 2006
Value-added tax payable	76,871	48,548
Payroll taxes	53,439	53,664
Property and other taxes	33,713	47,116
	164,023	149,328

19 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 September 2007	31 December 2006
Bonds issued	882,823	882,823
Credit lines	3,070,143	2,410,157
Term loans	2,974,144	3,749,201
	6,927,110	7,042,181

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) for RR 900,000 with quarterly coupon payments of 9.9% per annum with an early redemption option. In June 2005 Board of Directors of JSC Dorogobuzh approved the decision to grant to the holders of the bonds an option to redeem the bonds starting from December 2006. As at 31 December 2006 bonds for RR 17,177 were redeemed. The bonds issued are presented in these financial statements as long-term. The bonds are guaranteed by parent company.

The Group's borrowings mature as follows:

	30 September 2007	31 December 2006
Borrowings due:		
- within 1 year	2,500,161	1,764,057
- between 2 and 5 years	4,426,949	5,278,124
	6,927,110	7,042,181



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

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

	30 September 2007	31 December 2006
Borrowings denominated in:		
- Russian Roubles	2,017,534	1,822,101
- US Dollars	3,213,470	3,449,374
- RMB	1,696,106	1,770,706
	6,927,110	7,042,181

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

	30 September 2007	31 December 2006
Bonds	882,823	-
Sberbank Russia	430,000	600,000
Construction Bank of China	332,179	236,072
Bank of China	531,487	605,186
Rosselkhozbank	-	10,000
Loans from related parties	-	8,000
Other loans	24,711	1,278
Current portion of long-term debt	298,961	303,521
Total short-term debt	2,500,161	1,936,976

Short-term loans from Sberbank-Moscow denominated in Russian roubles totalled RR 430,000 as of 30 September 2007 (31 December 2006: RR 600,000) at interest rate of 7%. Under the terms of the agreement there is 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 Rosselkhozbank 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 260 000,000; RR 863,666; 31 December 2006: RR 841,258) were granted at interest rates of 6.12% to 7.29% per annum. These loans were guaranteed by unrelated parties in return for guarantees provided by the Group for the borrowings obtained by unrelated parties.

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

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

	30 September 2007	31 December 2006
Bonds	-	882,823
VTB Europe	324,341	579,284
Commerzbank	748,479	789,933
Raiffeisenbank	748,479	566,119
ZAO Moscow International Bank	349,199	460,794
Sberbank Russia	1,677,972	1,373,244
Construction Bank, China	465,051	472,143
Development Bank, China	367,389	457,305
Net of current portion of long-term debt	(298,961)	(303,521)
Long-term borrowings	4,426,949	5,278,124

Long-term loan from Moscow International Bank denominated in USD totaled USD 15,800,000 as of 30 September 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. Substantial restrictions are on revenues and assets encumbrance.

Long-term loan from VTB Europe denominated in foreign currency totaled USD 13,000,000 as of 30 September 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 totaled USD 30,000,000 as of 30 September 2007 (31 December 2006: USD 21,500,000) at interest rate LIBOR+3.5%. 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 totaled USD 30,000,000 as of 30 September 2007 (31 December 2006: USD 30,000,000) at interest rate LIBOR+3.0%. 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 and maintenance of certain financial ratios.

Long-term loan from Sberbank Russia denominated in foreign currency totaled USD 40,000,000 as of 30 September 2007 (31 December 2006: USD 40,000,000) at interest rate 7.9%. 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. The loan is guaranteed with notes issued by JSC Acron.

Long-term loan from Sberbank Russia denominated in Russian roubles totaled RR 680,000 as of 30 September 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 7.425% to 7.83% (2006: 6.732% to 6.84%) per annum. As of 30 September 2007, bank loans of RR 433,826 (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 banks in China are secured by guarantees issued by third parties totalling RR 1,098,184 (31 December 2006: RR 1,161,136).

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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.

20 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	Treasury 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 December 2007 annual shareholders meeting has approved a decision to pay interim dividends for 9 months of 2007 in the amount RR 25 (including RR 13 for the first half of 2007) per ordinary share with nominal value of RR 5.

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 nine months of 2007, the current year net statutory profit for the Company as reported in the semi-annual statutory reporting forms was RR 5,602,792. 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.

21 Finance Expense

	9 months of 2007	9 months of 2006
Interest expense	(412,502)	(324,551)
Foreign exchange loss (gain)	131,736	83,759
	(280,766)	(240,792)

22 Other income (expenses)

	9 months of 2007	9 months of 2006
Interest income	51,251	58,303
Dividend income	219,807	27,414
Loss on disposal of investments	(36,500)	(31,856)
	234,558	53,861

23 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 year, excluding treasury shares (see Note 21). The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share. In 2005 the Company executed share split which is described in Note 21. For the purposes of earnings per share calculation the number of shares outstanding was adjusted retrospectively for all periods presented as follows:

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	9 months of 2007	9 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 equity holders of the Company	2,917,031	1,549,179
Basic and diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	66.88	35.52

24 Income Taxes

	9 months of 2007	9 months of 2006
Profit tax expense – current	1,220,547	906,952
Deferred tax charge/(credit) – origination and reversal of temporary differences	(140,505)	(207,203)
Profit tax charge	1,080,042	699,749

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

	9 months of 2007	9 months of 2006
Profit before tax	4,292,254	2,062,298
Theoretical tax charge at statutory rate of 24% (2006: 24%)	1,030,141	494,952
Tax effect of items which are not deductible or assessable for taxation purposes:		
Profit not taxable	(52,754)	(27,414)
Other non-deductible expenses	102,655	232,211
Profit tax charge	1,080,042	699,749

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 Septem- ber 2007
Tax effects of taxable temporary differences:							
Property, plant and equipment	1,104,542	(150,621)	-	953,921	(73,885)	-	880,036
Investments	829,613	(10,550)	404,854	1,223,917	(9,960)	271,707	1,485,664
Other temporary differences	(10,735)	18,778	-	8,043	(14,580)	-	(6,597)
Tax effects of deductible temporary differences:							
Inventories	(22,180)	(5,985)	-	(28,165)	(14,928)	-	(43,093)
Accounts receivable	(67,002)	(24,885)	-	(91,887)	15,083	-	(76,804)
Accounts payable	(35,834)	(60,057)	-	(95,891)	11,867	-	(84,024)
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	(86,463)	271,707	2,124,992



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.

25 Contingencies, Commitments and Operating Risks

i Contractual Commitments and Guarantees

As of 30 September 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 September 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 1,183,554 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 September 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 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.

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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.

26 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 nine months of 2007	Interest (voting shares), %, in the nine 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
Acronagrotrans Limited	B.V.I.	Holding company	100	100
Shandong Hongri Acron Chemical JSC	China	Fertilizer production	50.5	50.5

27 Significant Non-Cash Transactions

Included in sales for the nine months of 2007 are non-cash transactions amounting to RR 31,893 (nine 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 nine months 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.

28 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 66% (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 September 2007: USD 14,200,000 and RR 130,000; 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.

29 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 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

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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 September 2007 and 31 December 2006 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.