

**OAO SYNERGY
(SYNERGY GROUP)**

**Consolidated Financial Statements
for the year ended
31 December 2008**

**To: The Board of Directors
and Shareholders of Synergy OAO (Synergy Group)**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Synergy OAO and its subsidiaries (hereinafter referred to as the "Group"), which comprise consolidated balance sheet as at 31 December 2008 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Synergy OAO and its subsidiaries at 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

N.Y.Chernysheva
Deputy General Director
"Baker Tilly Russaudit" Ltd.

95 Prospect Mira, Moscow 129085 Russia

7 April 2009



SYNERGY GROUP

Consolidated Financial Statements for the year ended 31 December 2008
(All amounts in Russian Rubles thousand, unless stated otherwise)

Consolidated Balance Sheet

	Note	As at 31 December 2008	As at 31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	3 687 779	2 312 927
Goodwill	7	242 408	276 379
Intangible assets	6	4 758 269	2 736 820
Investments	8	33 161	159 597
Other long-term assets	9	463 663	-
Deferred tax assets	22	122 335	121 170
Total non-current assets		9 307 615	5 606 893
Current assets			
Inventories	10	2 479 183	2 224 555
Biological assets	11	290 678	162 153
Trade and other receivables	12	5 624 189	4 524 781
Prepayments		631 823	750 735
Loans to related parties	29	246 262	820 746
Investments		18 754	30 073
Income tax overpaid		13 947	16 884
Cash and cash equivalents	13	926 519	445 990
Total current assets		10 231 355	8 975 917
TOTAL ASSETS		19 538 970	14 582 810
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity and reserves			
Owners' equity:			
Share capital	15	1 432 000	1 432 000
Retained earnings		2 808 579	1 584 117
Other reserves		3 627 488	3 627 488
Minority interest		444 236	424 223
Total equity and reserves		8 312 303	7 067 828
Non-current liabilities			
Loans and borrowings	16	965 276	298 729
Bond issue	16	-	2 000 000
Deferred tax liabilities	22	715 456	819 989
Total non-current liabilities		1 680 732	3 118 718
Current liabilities			
Bond issue	16	1 325 585	748 649
Loans and borrowings	16	4 820 205	626 767
Trade and other payables	17	3 333 881	2 966 118
Income tax payable		66 264	54 730
Total current liabilities		9 545 935	4 396 264
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		19 538 970	14 582 810

Notes to the financial statements on pages 8 through 42 shall be part and parcel of these Financial Statements

Mechetin A.A., Chairman of Management Board _____

Kim E.S., Chief Accountant _____

7 April 2009



Consolidated Income Statement

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Revenue		16 729 254	11 352 018
Cost of sales	18	(10 755 129)	(7 452 663)
Gross profit		5 974 125	3 899 355
General and administrative expenses	19	(1 368 226)	(860 781)
Sales expenses	20	(2 755 159)	(1 532 260)
Other income/expenses		335 658	82 937
Results from operating activities		2 186 399	1 589 251
Net finance costs		(646 838)	(456 826)
Profit before tax		1 539 561	1 132 425
Income tax	21	(256 688)	(236 140)
Profit for the period		1 282 873	896 285
Attributable to:			
Equity holders of the Company		1 224 462	779 996
Minority interest		58 411	116 289
Basic and diluted earnings per share	23	85.51	66.35

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 7 April 2009



Consolidated Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Other reserves</u>	<u>Total shareholders' equity</u>	<u>Minority interest</u>	<u>Total</u>
Balance at 31 December 2006	1 160 000	839 707	(478 601)	1 521 106	632 393	2 153 498
Acquisition of shares in subsidiaries	-	-	-	-	(405 045)	(405 045)
Issue of share capital of the parent company	272 000	-	4 106 089	4 378 089	-	4 378 089
Issue of share capital of a subsidiary to minority	-	(35 586)	-	(35 586)	80 586	45 000
Total changes, not recorded into net profit	272 000	(35 586)	4 106 089	4 342 503	(324 459)	4 018 044
Net profit for the period	-	779 996	-	779 996	116 289	896 285
Balance at 31 December 2007	1 432 000	1 584 117	3 627 488	6 643 605	424 223	7 067 827
Acquisition of subsidiaries	-	-	-	-	614	614
Acquisition of shares in subsidiaries	-	-	-	-	(39 012)	(39 012)
Total changes, not recorded into net profit	-	-	-	-	(38 398)	(38 398)
Net profit for the period	-	1 224 462	-	1 224 462	58 411	1 282 873
Balance at 31 December 2008	1 432 000	2 808 579	3 627 488	7 868 067	444 236	8 312 303

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Consolidated Cash Flow Statement

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Proceeds		
Products	29 407 891	21 938 083
Services	114 064	60 094
Other operations	<u>851 321</u>	<u>3 862 026</u>
Total cash proceeds	30 373 276	25 860 203
Cash outflow		
Raw materials	(9 408 728)	(9 958 747)
Goods	(6 000 586)	(6 130 129)
Wages and salaries	(2 491 944)	(1 640 648)
Excises and VAT	(7 072 675)	(4 807 299)
Other expenses	<u>(3 709 228)</u>	<u>(3 577 887)</u>
Total cash outflow	(28 683 160)	(26 114 710)
Cash flows from operating activities	1 690 116	(254 507)
Interest paid	(768 556)	(387 038)
Income tax paid	<u>(320 552)</u>	<u>(239 003)</u>
Net cash flow from operating activities	601 007	(880 548)
Cash flows from investing activities		
Acquisition of subsidiaries	(2 326 083)	(2 427 185)
Disposal of subsidiaries	74 243	-
Acquisition of property, plant and equipment	(575 116)	(517 433)
Disposal of property, plant and equipment	102 515	4 487
Acquisition of intangible assets	(6 551)	(26 070)
Acquisition of financial assets	(14 008)	(223 837)
Disposal of financial assets	39 226	298 749
Loans originated	(3 194 402)	(4 152 184)
Loans originated repayment	3 707 314	3 993 121
Interest received	<u>148 461</u>	<u>92 655</u>
Net cash flow from investing activities	(2 044 401)	(2 957 697)
Cash flows from financing activities		
Issue of share capital	-	4 386 856
Loans received	55 421 247	32 907 791
Loans repaid	<u>(53 497 322)</u>	<u>(33 304 174)</u>
Net cash flow from financing activities	1 923 925	3 990 473
Net increase/(decrease) in cash and cash equivalents	<u>480 533</u>	<u>152 227</u>
Cash and cash equivalents at beginning of the year	<u>445 990</u>	<u>293 763</u>
Cash and cash equivalents at end of the year	<u>926 519</u>	<u>445 990</u>

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