



**OAO SYNERGY
(SYNERGY GROUP)**

**Consolidated Financial Statements
for the year ended
31 December 2009**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Synergy OAO and its subsidiaries (hereinafter referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of Synergy OAO and its subsidiaries is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 consolidated financial statements present fairly, in all material respects, the financial position of Synergy OAO and its subsidiaries as at 31 December, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

E.V. Samoilov

General Director

"Baker Tilly Russaudit", Ltd

15, Bl.1, Zubarev Pereulok, Moscow 129164 Russia

22 March 2010



SYNERGY GROUP

Consolidated Financial Statements for the year ended 31 December 2009
(All amounts in Russian Rubles thousand, unless stated otherwise)

Consolidated Statement of Financial Position

	Note	As at 31 December 2009	As at 31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	6	3 082 763	3 687 779
Goodwill	8	234 100	242 408
Intangible assets	7	5 229 497	4 758 269
Other financial assets	9	-	33 161
Other long-term assets	6	312 135	463 663
Deferred tax assets	21	137 200	122 335
Total non-current assets		8 995 695	9 307 615
Current assets			
Inventories	10	2 748 023	2 479 183
Biological assets		184 158	290 678
Trade and other receivables	11	7 358 616	5 870 451
Prepayments		451 368	631 823
Other financial assets	9	30 166	18 754
Income tax overpaid		11 076	13 947
Cash and cash equivalents	12	734 397	926 519
Total current assets		11 517 804	10 231 355
TOTAL ASSETS		20 513 499	19 538 970
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity and reserves			
Owners' equity:			
Share capital	13	1 790 000	1 432 000
Treasury Shares	13	(56 890)	-
Retained earnings		3 826 223	2 808 579
Other reserves		4 325 292	3 627 488
Non-controlling interest		509 528	444 236
Total equity and reserves		10 394 153	8 312 303
Non-current liabilities			
Loans and borrowings	14	2 571 275	965 276
Deferred tax liabilities	21	681 319	715 456
Total non-current liabilities		3 252 594	1 680 732
Current liabilities			
Loans and borrowings	14	3 601 554	6 145 790
Trade and other payables	15	3 149 678	3 333 881
Income tax payable		115 520	66 264
Total current liabilities		6 866 752	9 545 935
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		20 513 499	19 538 970

Notes to the financial statements on pages 8 through 40 shall be part and parcel of these Financial Statements

Mechetin A.A., Chairman of Management Board _____

Kim E.S., Chief Accountant _____

22 March 2010



SYNERGY GROUP

Consolidated Financial Statements for the year ended 31 December 2009

(All amounts in Russian Rubles thousand, unless stated otherwise)

Consolidated Statement of Comprehensive Income

	<u>Note</u>	<u>2009</u>	<u>2008</u>
Revenue	25	18 072 645	16 729 254
Cost of sales	16	(11 871 752)	(10 755 129)
Gross profit		6 200 893	5 974 125
General and administrative expenses	17	(1 071 517)	(1 368 226)
Distribution expenses	18	(2 381 102)	(2 755 159)
Other income/(expenses)		(179 710)	335 659
Operating profit		2 568 564	2 186 399
Net finance costs	19	(1 168 344)	(646 838)
Profit before tax		1 400 220	1 539 561
Income tax	20	(252 666)	(256 688)
Net Income		1 147 554	1 282 873
Attributable to:			
Equity holders of the Company		1 068 229	1 224 462
Non-controlling interest		79 325	58 411
Basic earnings per share	22	75.64	85.51

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Consolidated Statement of Changes in Equity

	Share capital (Note 13)	Treasury Shares (Note 13)	Retained earnings	Other reserves	Total shareholders' equity	Non-controlling interest	Total
Balance at 31 December 2007	1 432 000	-	1 584 117	3 627 488	6 643 605	424 223	7 067 828
Acquisition of subsidiaries						614	614
Acquisition of non-controlling interest	-	-	-	-	-	(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
Repurchase of own shares	-	(98 890)	-	(1 612 432)	(1 711 322)	-	(1 711 322)
Issue of share capital – Secondary Public Offering	358 000	42 000	-	1 874 065	2 274 065	-	2 274 065
Contribution of assets from shareholders	-	-	-	385 586	385 586	-	385 586
Increase of non-controlling interest due to increase of share capital in subsidiary	-	-	-	-	-	8 711	8 711
Disposal of a subsidiary (Note 24)	-	-	(50 585)	50 585	-	(53 690)	(53 690)
Disposal of non-controlling interest (Note 24)	-	-	-	-	-	30 946	30 946
Total changes, not recorded into net profit	358 000	(56 890)	(50 585)	697 804	948 329	(14 033)	934 296
Net profit for the period	-	-	1 068 229	-	1 068 229	79 325	1 147 554
Balance at 31 December 2009	1 790 000	(56 890)	3 826 223	4 325 292	9 884 625	509 528	10 394 153

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Consolidated Cash Flow Statement

	Note	2009	2008
Cash flows from operating activities			
Profit before income tax and finance costs		2 568 563	2 186 399
Adjustments for:			
Depreciation and amortisation		355 018	316 636
(Gain)/loss on disposal of property, plant and equipment		4 686	19 656
Gain/loss on disposal of materials		110 423	68 940
Gain/loss on disposal of accounts payable		(8 365)	(13 809)
Reserves and accruals		132 704	111 662
Gain/loss on disposal of financial assets and subsidiaries		(201 081)	81 549
Other non-cash transactions		154 862	(717 713)
Changes in working capital:			
(Increase)/Decrease in inventories and biological assets		(733 199)	(525 829)
(Increase)/Decrease in accounts receivable		(2 153 517)	(27 028)
Increase/(Decrease) in accounts payable		171 009	189 650
Cash flows from operating activities		401 103	1 690 113
Interest paid		(1 312 814)	(768 556)
Income tax paid		(307 124)	(320 548)
Net cash flow from operating activities		(1 218 835)	601 009
Cash flows from investing activities			
Acquisition of subsidiaries	23	(3 255)	(2 326 083)
Disposal of subsidiaries	24	(45 483)	74 243
Acquisition of property, plant and equipment and intangible assets		(233 231)	(581 667)
Disposal of property, plant and equipment and intangible assets		8 112	102 515
Acquisition of financial assets		-	(14 008)
Disposal of financial assets		-	39 226
Loans originated		(15 523)	(3 194 402)
Loans originated repayment		17 859	3 707 314
Interest received		74 621	148 461
Net cash flow from investing activities		(196 900)	(2 044 401)
Cash flows from financing activities			
Issue of share capital		2 274 065	-
Repurchase of own shares		(14 323)	-
Loans received		41 045 880	55 421 247
Loans repaid		(42 082 010)	(53 497 322)
Net cash flow from financing activities		1 223 612	1 923 925
Net increase/(decrease) in cash and cash equivalents		(192 123)	480 533
Cash and cash equivalents at beginning of the year	12	926 519	445 990
Cash and cash equivalents at end of the year	12	734 397	926 519

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