



**ОАО SYNERGY
(SYNERGY GROUP)**

**Consolidated Financial Statements
for the year ended
31 December 2010**

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, 2010, 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, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

M.B. Pavlova

Deputy General Director

"Baker Tilly Russaudit", Ltd

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

29 March 2011

SYNERGY GROUP

*Consolidated Financial Statements for the year ended 31 December 2010
(All amounts in Russian Rubles thousand, unless stated otherwise)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010	2009
Revenue	21 127 888	18 072 645
Cost of sales	(13 748 158)	(11 871 752)
Gross profit	7 379 730	6 200 893
General and administrative expenses	(1 367 620)	(1 071 517)
Distribution expenses	(3 061 293)	(2 381 102)
Other income/(expense)	(35 067)	(179 710)
Operating profit	2 915 750	2 568 564
Net finance costs	(759 578)	(1 168 344)
Profit before tax	2 156 172	1 400 220
Income tax	(583 341)	(252 666)
Net Income	1 572 831	1 147 554
Attributable to:		
Equity holders of the Company	1 513 420	1 068 229
Non-controlling interest	59 411	79 325
Basic earnings per share	83.89	75.64

Mechetin A.A., Chairman of Management Board _____

Kim E.S., Chief Accountant _____

29 March 2011



SYNERGY GROUP

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2010	31 December 2009
ASSETS		
Non-current assets		
Property, plant and equipment	3 898 465	3 082 763
Goodwill	212 554	234 100
Intangible assets	5 172 936	5 229 497
Other long-term assets	105 965	312 135
Deferred tax assets	179 988	137 200
Total non-current assets	9 569 908	8 995 695
Current assets		
Inventories	3 275 789	2 748 023
Biological assets	201 986	184 158
Trade and other receivables	9 303 506	7 358 616
Prepayments	675 937	451 368
Other financial assets	-	30 166
Income tax overpaid	31 719	11 076
Cash and cash equivalents	2 000 455	734 397
Total current assets	15 489 392	11 517 804
TOTAL ASSETS	25 059 300	20 513 499
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity and reserves		
Owners' equity:		
Share capital	2 182 000	1 790 000
Treasury Shares	(162 614)	(56 890)
Retained earnings	5 339 643	3 826 223
Other reserves	6 498 228	4 325 292
Non-controlling interest	570 939	509 528
Total equity and reserves	14 428 196	10 394 153
Non-current liabilities		
Loans and borrowings	4 967 226	2 571 275
Deferred tax liabilities	821 949	681 319
Total non-current liabilities	5 789 175	3 252 594
Current liabilities		
Loans and borrowings	1 193 346	3 601 554
Trade and other payables	3 548 552	3 149 678
Income tax payable	100 031	115 520
Total current liabilities	4 841 929	6 866 752
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	25 059 300	20 513 499

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury Shares	Retained earnings	Other reserves	Total shareholders' equity	Non-controlling interest	Total
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
Contribution of non-controlling shareholders to the Group's subsidiary	-	-	-	-	-	8 711	8 711
Disposal of a subsidiary	-	-	(50 585)	50 585	-	(53 690)	(53 690)
Disposal of non-controlling interest	-	-	-	-	-	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
Shares issue under pre-emptive rights	102 000	-	-	515 138	617 138	-	617 138
Repurchase of shares	-	(105 724)	-	(1 052 589)	(1 158 313)	-	(1 158 313)
Issue of share capital	290 000	-	-	2 710 387	3 000 387	-	3 000 387
Contribution of non-controlling shareholders to the Group's subsidiary	-	-	-	-	-	2 000	2 000
Total changes, not recorded into net profit	392 000	(105 724)	-	2 172 936	2 459 212	2 000	2 461 212
Net profit for the period	-	-	1 513 420	-	1 513 420	59 411	1 572 831
Balance at 31 December 2010	2 182 000	(162 614)	5 339 643	6 498 228	13 857 257	570 939	14 428 196

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29 March 2011



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CONSOLIDATED CASH FLOW STATEMENT

	2010	2009
Cash flows from operating activities		
Profit before income tax and finance costs	2 915 750	2 568 563
Adjustments for:		
Depreciation and amortisation	424 540	355 018
(Gain)/loss on disposal of property, plant and equipment	(868)	4 686
(Gain)/loss on disposal of materials	221 251	110 423
(Gain)/loss on disposal of accounts payable	(199 576)	(8 365)
(Gain)/loss on change in fair value of biological assets	(66 801)	-
Reserves and accruals	137 993	132 704
(Gain)/loss on disposal of financial assets and subsidiaries	9 872	(201 081)
Other non-cash transactions	(46 252)	154 862
Changes in working capital:		
(Increase)/Decrease in inventories and biological assets	(500 709)	(733 199)
(Increase)/Decrease in accounts receivable	(2 520 575)	(2 153 517)
Increase/(Decrease) in accounts payable	625 967	171 009
Cash flows from operating activities	1 000 592	401 103
Interest paid	(622 160)	(1 312 814)
Income tax paid	(453 781)	(307 124)
Net cash flow from operating activities	(75 349)	(1 218 835)
Cash flows from investing activities		
Acquisition of subsidiaries	382	(3 255)
Disposal of subsidiaries	-	(45 483)
Disposal of other financial assets	27 000	-
Acquisition of property, plant and equipment and intangible assets	(718 931)	(233 231)
Disposal of property, plant and equipment and intangible assets	24 213	8 112
Loans originated	-	(15 523)
Loans originated repayment	-	17 859
Interest received	-	74 621
Net cash flow from investing activities	(667 336)	(196 900)
Cash flows from financing activities		
Issue of share capital	3 617 525	2 274 065
Repurchase of own shares	(1 158 313)	(14 323)
Loans received	22 554 573	41 045 880
Loans repaid	(23 005 042)	(42 082 010)
Net cash flow from financing activities	2 008 743	1 223 612
Net increase/(decrease) in cash and cash equivalents	1 266 058	(192 123)
Cash and cash equivalents at beginning of the year	734 397	926 519
Cash and cash equivalents at end of the year	2 000 455	734 397

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