

**OA0 SYNERGY
(SYNERGY GROUP)**

**Interim Condensed Consolidated Financial
Statements
for six months ended
30 June 2008**

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

Report of independent auditors on review of interim financial information

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Synergy OAO and its subsidiaries (hereinafter referred to as the "Group") as of 30 June 2008 and the related condensed consolidated interim statements of income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not give true and fair view of the financial position of Synergy Group as at 30 June 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

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

26 September 2008

95 Prospect Mira, Moscow 129085 Russia



Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2008	As at 31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	3	2 478 793	2 312 927
Goodwill		276 379	276 379
Intangible assets	4	4 741 165	2 736 820
Investments	5, 17	95 694	159 597
Other long-term assets	3	216 264	-
Deferred tax assets		167 157	121 170
Total non-current assets		7 975 452	5 606 893
Current assets			
Inventories	6	2 527 160	2 224 555
Biological assets		168 218	162 153
Trade and other receivables		5 633 878	4 524 781
Prepayments		796 988	750 735
Loans to related parties	7	23 645	820 746
Investments	5	587 924	30 073
Income tax overpaid		16 530	16 884
Cash and cash equivalents	8	1 206 736	445 990
Total current assets		10 961 079	8 975 917
TOTAL ASSETS		18 936 531	14 582 810
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity and reserves			
Owners' equity:			
Share capital		1 432 000	1 432 000
Retained earnings		2 145 077	1 584 117
Other reserves		3 627 488	3 627 488
Minority interest		395 048	424 223
Total equity and reserves		7 599 613	7 067 828
Non-current liabilities			
Loans and borrowings	9	1 072 424	298 729
Bond issue	9	2 998 784	2 000 000
Deferred tax liabilities	11	1 034 633	819 989
Total non-current liabilities		5 105 841	3 118 718
Current liabilities			
Bond issue	9	-	748 649
Loans and borrowings	9	3 645 303	626 767
Trade and other payables		2 551 800	2 966 118
Income tax payable		33 974	54 730
Total current liabilities		6 231 077	4 396 264
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		18 936 531	14 582 810

Notes to the financial statements on pages 8 through 19 shall be part and parcel of these Financial Statements

Mechetin A.A., Chairman of Management Board

Kim E.S., Chief Accountant

26 September 2008



SYNERGY GROUP

*Interim Condensed Consolidated Financial Statements for six months ended 30 June 2008
(All amounts in Russian Ruble thousand, unless stated otherwise)*

Interim Condensed Consolidated Income Statement

	<u>Note</u>	<u>1H2008</u>	<u>1H2007</u>
Revenue		7 199 601	4 648 595
Cost of sales		(4 618 306)	(3 220 020)
Gross profit		2 581 295	1 428 575
General and administrative expenses		(809 317)	(322 516)
Sales expenses		(1 037 557)	(513 351)
Other income		481 842	180 906
Other expenses		(250 741)	(152 700)
Results from operating activities		965 522	620 915
Net finance costs		(295 730)	(136 451)
Profit before tax		669 792	484 464
Income tax	10	(102 982)	(104 074)
Profit for the period		566 810	380 390
Attributable to:			
Equity holders of the Company		560 960	323 550
Minority interest		5 850	56 840
Basic and diluted earnings per share	12	39.17	27.89
(expressed in RUR per share)			

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Interim Condensed 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	2 153 499
Acquisition of shares in subsidiaries	-	-	-	-	(194)	(194)
Issue of share capital of a subsidiary	-	-	-	-	52 757	52 757
Total changes, not recorded into net profit	-	-	-	-	52 563	52 563
Net profit for the period	-	323 550	-	323 550	56 840	380 390
Balance at 30 June 2007	1 160 000	1 163 257	(478 601)	1 844 656	741 796	2 586 452
Acquisition of shares in subsidiaries	-	-	-	-	(404 851)	(404 851)
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)	27 829	(7 757)
Total changes, not recorded into net profit	272 000	(35 586)	4 106 089	4 342 503	(377 022)	3 965 481
Net profit for the period	-	456 446	-	456 446	59 449	515 895
Balance at 31 December 2007	1 432 000	1 584 117	3 627 488	6 643 605	424 223	7 067 828
Acquisition of shares in subsidiaries	-	-	-	-	(35 025)	(35 025)
Total changes, not recorded into net profit	-	-	-	-	(35 025)	(35 025)
Net profit for the period	-	560 960	-	560 960	5 850	566 810
Balance at 30 June 2008	1 432 000	2 145 077	3 627 488	7 204 565	395 048	7 599 613

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Interim Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2008	2007
Cash flows from operating activities		
Proceeds		
Products	14 794 403	9 525 090
Services	18 081	4 723
Other operations	597 824	1 161 164
Total cash proceeds	<u>15 410 308</u>	<u>10 690 978</u>
Cash outflow		
Raw materials	(6 708 112)	(4 784 745)
Goods	(2 787 717)	(2 067 636)
Wages and salaries	(1 173 567)	(679 692)
Excises and VAT	(2 970 979)	(1 971 635)
Other expenses	(1 654 298)	(1 002 546)
Total cash outflow	<u>(15 294 673)</u>	<u>(10 506 254)</u>
Cash flows from operating activities	115 635	184 723
Interest paid	(342 998)	(192 713)
Income tax paid	(140 111)	(107 369)
Net cash flow from operating activities	<u>(367 474)</u>	<u>(115 359)</u>
Cash flows from investing activities		
Acquisition of subsidiaries	(2 325 765)	(353 877)
Disposal of subsidiaries		
Acquisition of property, plant and equipment	(368 619)	(244 125)
Disposal of property, plant and equipment	96 177	70 001
Acquisition of intangible assets	(6 163)	(23 283)
Acquisition of financial assets	(6 008)	(21 548)
Disposal of financial assets	39 226	4 724
Loans originated	(2 899 395)	(836 199)
Loans originated repayment	3 644 439	397 283
Interest received	70 446	52 161
Net cash flow from investing activities	<u>(1 755 662)</u>	<u>(954 863)</u>
Cash flows from financing activities		
Issue of share capital	-	45 000
Loans received	27 265 673	8 333 145
Loans repaid	(24 381 791)	(7 282 102)
Net cash flow from financing activities	<u>2 883 882</u>	<u>1 096 043</u>
Net increase/(decrease) in cash and cash equivalents	760 746	25 821
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>1 206 736</u>	<u>319 584</u>

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