

**OAO SYNERGY
(SYNERGY GROUP)**

**Consolidated Financial Statements
for the years ended
31 December 2006, 2005 and 2004**

To: Mr. A.A. Mechetin

Chairman of Management Board of Synergy OAO

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 at 31 December 2006, 31 December 2005 and 31 December 2004 and the consolidated income statement, statement of changes in equity and cash flow statement for the three years 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 2006, 31 December 2005 and 31 December 2004, and of its financial performance and its cash flows for the three years then ended in accordance with International Financial Reporting Standards.

Samoilov E.V.

General Director

"Baker Tilly Russaudit" Ltd

22 October 2007

95 Prospect Mira, Moscow 129085 Russia



SYNERGY GROUP

Consolidated Financial Statements for the years ended 31 December 2006, 2005 and 2004
(All amounts in Russian Rubles thousand, unless stated otherwise)

Consolidated Balance Sheet

	Note	As at 31 December 2006	As at 31 December 2005	As at 31 December 2004
ASSETS				
Non-current assets				
Property, plant and equipment	5	1 724 546	803 249	658 391
Goodwill	7	102 526	35 367	-
Other intangible assets	6	184 894	24 643	10 022
Loans to related parties	11b	28 035	-	-
Other investments	8	34 023	103 784	102 963
Deferred tax assets	24	32 239	14 797	3 773
Total non-current assets		2 106 263	981 840	775 149
Current assets				
Inventories	9	1 253 136	819 107	499 976
Biological assets	10	75 930	38 081	33 889
Trade and other receivables	11a	2 081 595	1 206 446	806 980
Prepayments		338 677	957 925	83 175
Loans to related parties	8, 11b	1 412 146	417 680	-
Income tax overpaid		30 776	2 784	4 802
Cash and cash equivalents	12	293 763	180 804	62 908
Total current assets		5 486 023	3 622 827	1 491 730
TOTAL ASSETS		7 592 286	4 604 667	2 266 879
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity and reserves				
Owners' equity:				
Share capital	13	1 160 000	1 160 000	1 160 000
Retained earnings		839 706	212 043	(17 371)
Other reserves		(478 601)	(478 601)	(478 601)
Minority interest		632 393	524 142	347 127
Total equity and reserves		2 153 498	1 417 584	1 011 155
Non-current liabilities				
Loans and borrowings	14	358 550	22 000	22 000
Other long-term liabilities		-	-	138 077
Deferred tax liabilities	24	110 621	36 763	21 642
Total non-current liabilities		469 171	58 763	181 719
Current liabilities				
Bond issue	14	1 000 000	-	-
Loans and borrowings	14	2 544 461	1 729 750	408 520
Trade and other payables	15	1 381 775	1 376 608	662 578
Income tax payable		43 381	21 962	2 908
Total current liabilities		4 969 617	3 128 320	1 074 006
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		7 592 286	4 604 667	2 266 880

Notes to the financial statements on pages 8 through 52 shall be part and parcel of these Financial Statements

Mechetin A.A., Chairman of Management Board

Kim E.S., Chief Accountant

19 October 2007

SYNERGY GROUP

*Consolidated Financial Statements for the years ended 31 December 2006, 2005 and 2004
(All amounts in Russian Rubles thousand, unless stated otherwise)*

Consolidated Income Statement

	Note	2006	2005	2004
Revenue	16	7 165 676	4 241 475	3 034 886
Cost of sales	17	(5 175 813)	(3 086 134)	(2 353 986)
Gross profit		1 989 863	1 155 341	680 900
General and administrative expenses	18	(496 147)	(242 519)	(214 375)
Sales expenses	19	(811 602)	(361 119)	(265 881)
Other income	20	495 189	36 213	14 610
Other expenses	21	(221 126)	(162 421)	(49 867)
Results from operating activities		956 177	425 496	165 387
Finance costs	22	(233 324)	(57 735)	(53 757)
Finance income		46 216	3 833	2 712
Profit before tax		769 068	371 593	114 342
Income tax	23	(78 466)	(55 674)	(27 566)
Profit for the period		690 602	315 921	86 776
Attributable to:				
Equity holders of the Company		627 663	229 414	(6 381)
Minority interest		62 939	86 507	93 159
		690 602	315 921	86 778
Basic and diluted earnings per share (expressed in RUR per share)	25	54.11	19.78	(0.55)

*Notes to the financial statements on pages 8 through 51 shall be part and parcel
of these Financial Statements*

Mechetin A.A., Chairman of Management Board _____

Kim E.S., Chief Accountant _____

19 October 2007

Consolidated Statement of Changes in Equity

	Share capital	Retained earnings	Other reserves	Total shareholders' equity	Minority interest	Total
Balance at 1 January 2004	4 915	65 876	-	70 791	1 013 499	1 084 290
Acquisition of subsidiary	-	(76 866)	-	(76 866)	(155 655)	(232 521)
Sale of shares in subsidiaries	-	-	-	-	43 988	43 988
Issue of share capital of the parent company	1 155 085	-	(478 601)	676 484	(676 484)	-
Issue of share capital of a subsidiary	-	-	-	-	30 000	30 000
Dividends accrued	-	-	-	-	(1 380)	(1 380)
Total changes, not recorded into net profit	1 155 085	(76 866)	-	599 618	(759 531)	(159 913)
Net profit for the period	-	(6 381)	-	(6 381)	93 159	86 778
Balance at 31 December 2004	1 160 000	(17 371)	(478 601)	664 028	347 127	1 011 155
Acquisition of subsidiary	-	-	-	-	90 744	90 744
Dividends accrued	-	-	-	-	(236)	(236)
Total changes, not recorded into net profit	-	-	-	-	90 508	90 508
Net profit for the period	-	229 414	-	229 414	86 507	315 921
Balance at 31 December 2005	1 160 000	(212 043)	(478 601)	893 442	524 142	1 417 584
Acquisition of subsidiary	-	-	-	-	7 396	7 396
Sale of bought out shares	-	-	-	-	37 916	37 916
Total changes, not recorded into net profit	-	-	-	(3 480)	45 312	41 832
Net profit for the period	-	627 663	-	627 663	62 939	690 602
Balance at 31 December 2006	1 160 000	839 706	(478 601)	1 521 105	632 393	2 153 498

Notes to the financial statements on pages 8 through 51 shall be part and parcel of these Financial Statements

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Kim E.S., Chief Accountant _____

19 October 2007

Consolidated Cash Flow Statement

	Note	2006	2005	2004
Cash flows from operating activities				
Profit before income tax and finance costs		1 002 393	429 643	164 081
Adjustments for:				-
Depreciation	5	137 083	85 470	74 699
Amortisation and impairment of intangible assets	6	45 254	3 554	1 827
(Gain)/loss on disposal of property, plant and equipment		(64 795)	10 818	3 406
(Gain)/loss on sale of subsidiary's share issue		68 649	-	-
(Gain)/loss on acquisition of subsidiaries		(384 304)	-	-
(Gain)/loss on disposal of financial assets		1 423	-	-
Interest income	8	(46 216)	(3 833)	(1 185)
Changes in working capital				
Increase in inventories and biological assets		(228 276)	(221 984)	(116 499)
Increase in accounts receivable		27 890	(1 592 599)	(247 073)
Increase in accounts payable		(480 928)	1 388 779	280 635
Cash flows from operating activities		78 171	99 848	159 891
Interest paid		(199 855)	(56 004)	(53 206)
Income tax paid		(119 679)	(41 002)	(19 224)
Net cash flow from operating activities		(241 363)	2 842	87 460
Cash flows from investing activities				
Acquisition of subsidiaries	27	(767 098)	(152 576)	(90 424)
Disposal of subsidiaries		97 573	-	-
Acquisition of property, plant and equipment		(434 890)	(100 888)	(128 197)
Disposal of property, plant and equipment		112 739	3 490	21 883
Acquisition of intangible assets		(18 350)	(6 676)	(5 327)
Acquisition of financial assets		(26 429)	(5 000)	(4 350)
Disposal of financial assets		7 810	4 360	-
Loans originated		(668 995)	-	-
Loans originated repayment		94	-	12 317
Interest received		37 560	3 833	1 186
Net cash flow from investing activities		(1 659 986)	(253 458)	(192 912)
Cash flows from financing activities				
Issue of share capital		-	-	30 000
Loans received		9 222 049	2 862 750	1 284 819
Loans repaid		(7 207 740)	(2 493 689)	(1 210 740)
Dividends paid to Minority shareholders		-	(550)	(1 380)
Net cash flow from financing activities		2 014 309	368 512	102 699
Net increase/(decrease) in cash and cash equivalents		112 959	117 896	(2 753)
Cash and cash equivalents at beginning of the year	12	180 804	62 908	65 661
Cash and cash equivalents at end of the year	12	293 763	180 804	62 908

Notes to the financial statements on pages 8 through 51 shall be part and parcel of these Financial Statements

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19 October 2007