

**OAO SYNERGY  
(SYNERGY GROUP)**

**Interim Condensed Consolidated Financial  
Statements  
for six months ended  
30 June 2007**

To: *Mr. A.A. Mechetin*

*Chairman of Management Board of Synergy OAO*

REPORT 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 2007 and the related condensed consolidated interim statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

*Chernysheva N.Y.*

*Deputy General Director*

*"Baker Tilly Russaudit" Ltd*

*22 October 2007*

*95 Prospect Mira Moscow 129085 Russia*



## Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2007	As at 31 December 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1 779 621	1 724 549
Goodwill		102 526	102 526
Other intangible assets	4	826 977	184 894
Loans to related parties		-	28 035
Other investments	5	32 113	34 023
Deferred tax assets	13	34 470	32 239
<b>Total non-current assets</b>		<b>2 775 707</b>	<b>2 102 955</b>
<b>Current assets</b>			
Inventories	6	1 442 085	1 253 136
Biological assets		93 433	75 930
Trade and other receivables		2 045 120	2 081 594
Prepayments		663 231	338 673
Advances for subsidiary acquisition originated	8	1 480 440	-
Loans to related parties	7	61 342	1 412 146
Investments	5	20 135	3 311
Other current assets		3 735	-
Income tax overpaid		11 219	30 777
Cash and cash equivalents	9	319 584	293 763
<b>Total current assets</b>		<b>6 140 324</b>	<b>5 489 331</b>
<b>TOTAL ASSETS</b>		<b>8 916 031</b>	<b>7 592 286</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>			
<b>Owners' equity:</b>			
Share capital		1 160 000	1 160 000
Retained earnings		1 163 254	839 707
Other reserves		(478 601)	(478 601)
Minority interest		741 798	632 393
<b>Total equity and reserves</b>		<b>2 586 451</b>	<b>2 153 498</b>
<b>Non-current liabilities</b>			
Long-term borrowings	10	278 920	358 550
Deferred tax liabilities	13	271 149	110 620
<b>Total non-current liabilities</b>		<b>550 069</b>	<b>469 170</b>
<b>Current liabilities</b>			
Bond issue		985 714	1 000 000
Short-term borrowings	10	2 691 884	2 544 461
Trade and other payables		2 087 030	1 381 775
Income tax payable		14 883	43 381
<b>Total current liabilities</b>		<b>5 779 511</b>	<b>4 969 618</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>8 916 031</b>	<b>7 592 286</b>

Notes to the financial statements on pages 8 through 22 shall be part and parcel of these Financial Statements

Mechetin A.A., Chairman of Management Board

Kim E.S., Chief Accountant

19 October 2007



## Interim Condensed Consolidated Income Statement

	Note	Six months ended 30 June	
		2007	2006
Revenue		4 648 595	2 800 418
Cost of sales		(3 220 020)	(2 169 789)
<b>Gross profit</b>		<b>1 428 575</b>	<b>630 629</b>
General and administrative expenses		(322 515)	(163 629)
Sales expenses		(513 351)	(324 363)
Other income		180 906	191 620
Other expenses		(152 700)	(66 246)
Results from operating activities		620 915	268 011
Net finance costs		(136 451)	(84 694)
Profit before tax		484 464	183 317
Income tax	12	(104 074)	(4 937)
<b>Profit for the period</b>		<b>380 390</b>	<b>178 380</b>
Attributable to:			
Equity holders of the Company		323 550	150 771
Minority interest		56 840	27 609
		380 390	178 380
<b>Basic and diluted earnings per share</b> (expressed in RUR per share)	14	28	13

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Mechetin A.A., Chairman of Management Board

Kim E.S., Chief Accountant

19 October 2007



**SYNERGY GROUP**

*Interim Condensed Consolidated Financial Statements for six months ended 30 June 2007  
(All amounts in Russian Ruble thousand, unless stated otherwise)*

**Interim Condensed Consolidated Statement of Changes in Equity**

	Share capital	Retained earnings	Other reserves	Total owners' equity	Minority interest	Total
Balance at 31 December 2005	1 160 000	212 042	(478 601)	893 441	557 879	1 451 320
Acquisition of subsidiary	-	-	-	-	3 072	3 072
Total changes, not recorded into net profit	-	-	-	-	3 072	3 072
Net profit for the period	-	150 771	-	150 771	27 609	178 380
Balance at 30 June 2006	1 160 000	362 813	(478 601)	1 044 212	588 560	1 632 772
Balance at 31 December 2006	1 160 000	839 706	(478 601)	1 521 105	632 393	2 153 498
Acquisition of subsidiary	-	-	-	-	(194)	(194)
Subsidiary's share issue	-	-	-	-	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	1 163 256	(478 601)	1 844 655	741 796	2 586 451

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**Mechetin A.A., Chairman of Management Board**

**Kim E.S., Chief Accountant**

19 October 2007



## Interim Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June	
		2007	2006
<b>Cash flows from operating activities</b>			
Profit before income tax and finance costs		682 548	272 278
Adjustments for:			
Depreciation		94 241	62 978
Amortization		4 524	2 362
(Gain)/loss on disposal of property, plant and equipment		24 891	(71 910)
(Gain)/loss on disposal of intangible assets		8 677	-
(Gain)/loss on sale of subsidiary's shares		7 758	-
(Gain)/loss on acquisition of subsidiaries		(126 662)	(88 980)
Interest income		(61 634)	(9 405)
Changes in working capital			
Increase in inventories and biological assets		(205 180)	24 406
Increase in accounts receivable		(1 085 748)	(1 073 454)
Increase in accounts payable		841 308	513 073
Cash flows from operating activities		184 723	(368 652)
Interest paid		(192 713)	(45 082)
Income tax paid		(107 369)	(44 465)
Net cash flow from operating activities		(115 359)	(458 200)
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries		(353 877)	(369 272)
Acquisition of property, plant and equipment		(244 125)	(227 751)
Disposal of property, plant and equipment		70 001	82 070
Acquisition of intangible assets		(23 283)	(14 828)
Acquisition of financial assets		(21 548)	(5 679)
Disposal of financial assets		4 724	95
Loans originated	10	(836 199)	(455 388)
Loans originated repayment	10	397 283	-
Interest received		52 161	-
Net cash flow from investing activities		(954 863)	(990 753)
<b>Cash flows from financing activities</b>			
Issue of share capital of subsidiary to minority		45 000	-
Loans received		8 333 145	4 254 885
Loans repaid		(7 282 102)	(2 745 893)
Net cash flow from financing activities		1 096 043	1 508 992
Net increase/(decrease) in cash and cash equivalents		25 821	60 039
Cash and cash equivalents at beginning of the year	9	293 763	180 804
Cash and cash equivalents at end of the year	9	319 584	240 843

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19 October 2007

