OAO SYNERGY
(SYNERGY GROUP)

Interim Condensed Consolidated Financial Statements

for six months ended

30 June 2007

CONTENTS

BAKER TILLY
RUSSAUDIT

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

an independent member of
BAKER TILLY
INTERNATIONAL

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

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2007	As at 31 December 2006
ASSETS			
Non-current assets			
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
Total non-current assets		2 775 707	2 102 955
Current assets			
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
Total current assets		6 140 324	5 489 331
TOTAL ASSETS		**8 916 031**	**7 592 286**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity and reserves			
Owners' equity:			
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
Total equity and reserves		2 586 451	2 153 498
Non-current liabilities			
Long-term borrowings	10	278 920	358 550
Deferred tax liabilities	13	271 149	110 620
Total non-current liabilities		550 069	469 170
Current liabilities			
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
Total current liabilities		5 779 511	4 969 618
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8 916 031**	**7 592 286**

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

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

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)**
Gross profit		**1 428 575**	**630 629**
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)
Profit for the period		**380 390**	**178 380**
Attributable to:			
Equity holders of the Company		323 550	150 771
Minority interest		56 840	27 609
		380 390	178 380
Basic and diluted earnings per share (expressed in RUR per share)	14	28	13

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

Interim Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2007	2006
Cash flows from operating activities			
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)
Cash flows from investing activities			
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)
Cash flows from financing activities			
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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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

1. Reporting entity

OAO "Synergy" (the "Company") is domiciled in Russia as an open joint-stock company under the laws of the Russian Federation. The address of the Company's registered office is Building 7, 9 Trekhprudny Pereulok, Moscow, Russia.

The consolidated financial statements of the Company as shown herewith comprise the Company and its subsidiaries (together referred as the "Group").

The Company primarily is involved in the production of distilled alcohol and food products and operation of wholesale and sales business thereof.

In January 2007, Synergy OAO acquired control over Russian Vodka Company OOO, its subsidiary. This control resulted from acquisition of 100% of registered of authorised capital of Russian Vodka Company OOO. Russian Vodka Company OOO is an owner of Beluga brand, 99% of net assets of the acquired company comprised of fair value of Beluga brand.

2. Basis of preparation and accounting policies

2.1. Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2007 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2006.

2.2. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of new Standards and Interpretations, noted below. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- IFRS 7, Financial instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements- Capital Disclosures (effective from 1 January 2007). As IFRS 7 is a disclosure standard, there is no impact of that change in accounting policy on the half year financial report. The Group will include required disclosures in its annual consolidated financial statements;

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007). This interpretation did not have a significant impact on this financial information;

- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007). This interpretation did not have a significant impact on this financial information;

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- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). This interpretation did not have a significant impact on this financial information;

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation did not have a significant impact on this financial information.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been adopted early:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosures in the Group's financial statements;

- IFRIC 11, IFRS 2 — Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);

- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);

- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).

- IAS 23 Revised, Borrowing Costs. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

Unless otherwise described above, these new standards and interpretations are not expected to significantly affect the Group's consolidated financial information.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

3. Property, plant and equipment

During the six months ended 30 June 2007, the Group acquired assets with a cost of RUR 244 214 thousand (six months ended 30 June 2006 RUR 513 658 thousand), including property and equipment acquired through a business combination (see Note 15).

Assets with a net book value of RUR 94 982 thousand were disposed of by the Group during the six months ended 30 June 2007 (six months ended 30 June 2006 RUR 11 988 thousand), resulting a net loss on disposal on RUR 24 891 thousand (six months ended 30 June 2006 – net gain RUR 71 910 thousand).

At 30 June 2007, bank borrowings were secured on land and buildings and equipment for the value of RUR 363 349 thousand (at 31 December 2006 RUR 233 516 thousand).

4. Intangible assets

During the six months ended 30 June 2007, the Group acquired intangible assets with a cost of RUR 685 117 thousand (six months ended 30 June 2006 RUR 3 361 thousand), including property and equipment acquired through a business combination (see Note 15).

Acquisition of Beluga brand in January 2007 resulted in the material increment of intangible assets.

Intangible assets with a net book value of RUR 8 677 thousand were disposed of by the Group during the six months ended 30 June 2007 (2006: RUR 0).

Brands are stated at fair value on acquisition. The principal brands are as follows:

Brand's name	Product	Remaining amortisation period	Carrying amount as at 30.06.07	Carrying amount as at 31.12.06
Beluga	Vodka	Indefinite life	661 834	-
Third time	Vodka	Indefinite life	41 511	41 511
Russkiy prazdnik	Vodka	Indefinite life	20 841	20 841
Third toast	Vodka	Indefinite life	19 871	19 871
Nizegorodskiy Kreml	Vodka	Indefinite life	126	126
Cherpachok	Vodka	Indefinite life	117	117
Russian Ice	Vodka	Indefinite life	102	102
Total			**744 402**	**82 568**

Brands are regarded as having indefinite useful economic lives and have not been amortised. There are not believed to be any legal, regulatory or contractual provisions that limit the useful life of these brands. Management believes that it is appropriate that the brands are treated as having indefinite lives for accounting purposes.

Brands with indefinite useful lives are reviewed annually for impairment. Management is not aware of any events that may have resulted in the likely impairment of brands during the period. As such no impairments review has been undertaken in the interim period.

The Group also owns internally generated brands, such as "Gosudarev Zakaz" and "Sily Prirody". These internally generated brands are not capitalised within the balance sheet in accordance with the group stated accounting policies.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. Investments

Long-term financial assets include equity participations, stock, debt securities and interest-bearing borrowings maturing after 12 months and more after the balance sheet date.

Short-term financial assets include interest-bearing borrowings maturing within 12 months after the balance sheet date, as well as financial investments for sale.

Shares in Commercial Bank Royal Credit Bank (previously Bank Dzemgi) were previously accounted for as long-term investments, and held in the balance sheet at cost. During the six months ended 30 June 2007, the investment was held at fair value. The Group agreed to dispose of its entire holding in July 2007 for RUR 20 135 thousand. The fair value of the holding as at 30 June 2007 reflects the consideration. The Group expects to receive payment in full during the fourth quarter of 2007.

6. Inventories

During the six months ended 30 June 2007, the Group sold and wrote down inventories, resulting a net loss on disposal of RUR 35 960 thousand. This expense is included in the "Other expenses" item line.

At 30 June 2007, bank borrowings were secured on inventories for the value of RUR 335 441 thousand (at 31 December 2006 RUR 354 976 thousand).

7. Loans to related parties

At the balance sheet date of 30 June 2007 there was a significant reduction in the amount of non-interest bearing loans received and granted due to a clearing-down settlement between related party companies and consolidated companies, which were previously entered into in order to acquire new subsidiaries.

Financing of the transaction to acquire the Traditsii Kachestva Group, as at 30 June 2007 has been reflected in the line "Advances for acquisition subsidiary originated." (see Note 8).

8. Advances for subsidiary's acquisition

By the 30 June 2007 OAO Synergy had made an advance payment on RUR 1 480 mln. with the purpose of purchasing of the Traditsii Kachestva Group (see Note 19).

9. Cash and cash equivalents

Cash and cash equivalents at the end of each period as shown in the cash flow statements can be reconciled to the related items in the balance sheet as follows:

	30 June 2007	31 December 2006
Cash on hand	7 678	9 413
Cash in banks	282 282	207 406
Cash in transit	29 624	76 944
	319 584	293 763

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At 30 June 2007, there are no effective restrictions on the use of cash.

10. Borrowings

During the six months ended 30 June 2007 attracted outstanding borrowings totally amounted to RUR 2 970 thousand. Loans were borrowed mainly from MDM Bank (RUR 750 mln) and Agroimpuls Bank (RUR 200 mln). Funds were received to finance current expenditure and investments (Traditsii Kachestva Group acquisition – see Note 19).

Interest rates on the bank loans are fixed at 10% through 13% p.a. in Rubles depending on the borrower and the terms of the respective contract.

Terms and conditions of most significant outstanding loans were as follows:

Bank	Amount of the loan	Nominal interest rate	Date of issue	Year of maturity of debt
MDM Bank	750 000	11,50%	27.04.2007	31.08.2007
Bank Kedr	175 000	7,90%	03.04.2007	30.03.2008
Sberbank	110 000	10,00%	28.05.2007	23.11.2007
Sberbank	98 000	10,50%	16.05.2007	06.11.2007
Bank Kedr	75 000	7,90%	03.04.2007	30.03.2008
Sberbank	74 000	10,33%	14.02.2007	30.01.2008

On 26 April 2006, the Group placed a certified interest-bearing non-convertible and registered bond. The interest rate payable is 10.7% per annum and the bond is redeemable in April 2009. The bond is secured over the following Group companies: Alviz OAO, Permsky Uralalko Distillery OAO, Habarovskiy Distillery OAO and Ussuriysky Balsam OAO.

According to the terms of the Offering circular, the issuer is obligated to purchase bonds on demand of bondholders, which is announced in the period of last 5 business days before payment of the third coupon (18 October 2007 – 24 October 2007). If in the stated period owners make such a demand, the relevant obligation of issuer should be executed by 5 business days after payment of third coupon (25 October – 31 October).

Further, obligations of the issuer will arise:

- The issuer is obligated to purchase bonds under demand of bondholders, which is announced in the period of last 5 business days before payment of the fourth coupon (17 April 2008 – 23 April 2008). In case if in the stated period owners would present demand, the relevant obligation of issuer should be executed by 5 business days after payment of fourth coupon (24 April 2008 – 30 April 2008). The execution will be effected if interest rates on fifth and sixth coupon were not previously determined.

- The issuer is obligated to purchase bonds under demand of bondholders, which is announced in the period of last 5 business days before payment of the fifth coupon (17 October 2008 – 23 October 2008). In case if in the stated period owners would present demand, the relevant obligation of issuer should be executed by 5 business days after payment of fifth coupon (24 October 2008 – 29 October 2008). The execution will be effected if interest rate on sixth coupon was not previously

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determined.

Bonds under series 01 will be paid at 1092nd day (22 April 2009) since bond placement, unless a notice of demand is received, as referred to above.

11. Trade and other payables

During six months ended 30 June 2007 the growth of trade payables was RUR 705 255 thousand. This growth is due to increasing supply of raw materials to ensure normal production activities of the Group. They will be payable in the second half of 2007 under the terms of contracts with suppliers.

12. Income tax expense

The major components of income tax expense in the interim consolidated income statement are:

	Six months ended 30 June	
	2007	2006
Current income tax charge	(97 365)	(25 384)
Deferred income tax related to reversal of timing differences	(6 909)	20 447
Total income tax	**(104 074)**	**(4 937)**

13. Deferred income tax

During the six months ended 30 June 2007 the amount of net deferred tax liabilities increased by RUR 158 298 thousand. This change is largely due to the acquisition in January 2007 of 100% share in the authorised capital of OAO "Russian vodka company", and the subsequent determination of the fair value of the brand "Beluga " (see Note 15).

14. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during period.

	Six months ended 30 June	
	2007	2006
Profit attributable to equity holders	323 550	150 771
Weighted average number of ordinary shares in issue (thousands)	11 600	11 600
Basic and diluted earnings per share, RUR	**27.89**	**13.00**

All shares are ordinary shares and there are no dilutive potential ordinary shares. Thus, the Group does not compute diluted earnings per share.

15. Business combinations

On 5 January 2007, Synergy Group acquired 100% of authorised capital of Russian Vodka Company OOO

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(Tomsk), which is the owner of Beluga premium brand vodka and a supplier of Mariinsky Distillery OAO acquired by the Group in 2006.

The assets and liabilities as of acquisition date are as follows:

	Recognised value on acquisition	Fair value adjustments	Pre acquisition carrying amount
Cash and cash equivalents	1 093	-	1 093
Property, plant and equipment	79	-	79
Construction in progress	-	-	-
Intangible assets, including Brands	632 000	631 771	229
Inventories	1 272	-	1 272
Financial assets		-	
Trade and other receivables	11 914	-	11 914
Deferred tax liabilities	(151 625)	(151 625)	-
Loans and credits	-	-	-
Trade and other payables	(13 157)	-	(13 157)
Net assets	481 576	480 146	1 430
Minority interests	-		
Net assets acquired	481 576		
Purchase consideration	354 970		
Result arising on acquisition, accounted as:	(126 606)		
Goodwill	-		
Negative goodwill	(126 606)		
Purchase consideration settled in cash	354 970		
Cash and cash equivalents acquired	(1 093)		
Cash outflow on acquisition	353 877		

At 30 June 2007, the acquired entity was recognised into the consolidated financial statements.

In the period from the moment of joining the Group and up to 30 June 2007, the acquired entity generated the revenue and net profit (loss) for the period as follows:

	Russian Vodka Company OOO
Sales proceeds	2 680
Operating profit/(loss)	14
Profit/(loss) for the period	(151)

As Russian Vodka Company OOO was acquired on 5 January 2007, management assumes that the subsidiary has not generated any significant revenues and financial results in the period from 1 to the 5 January 2007 and therefore all revenues and financial results of the subsidiary were included in Group's revenue.

The acquisitions in the six months ended 30 June 2006 comprised:

OAO "Dakgomz" acquired on 01 April 2006 for RUR 176 100 thousand with excess of acquired net assets over investments to the amount of RUR 96 832 thousand arising on the acquisition.

OOO "Dakgomz-Torg" acquired as a subsidiary of OAO "Dakgomz" on 01 April 2006.

OAO "Zorinsky breeding farm of 1 level" acquired on 01 January 2006 for RUR 41 930 thousand with excess of acquired net assets over investments to the amount of RUR 48 083 thousand arising on the acquisition

Permspirt and Zavod sortovykh kolbas were established within six months ended 30 June 2006.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

Full details of the acquisitions in 2006 have been disclosed under IFRS 3 in the financial statements for the year ended 31 December 2006.

16. Seasonality

Spirits

The alcohol drinks sales are subject to seasonal fluctuations with peak demand in the fourth quarter of the year. For the six months ended 30 June 2006, the level of sales was 32% of the annual level of sales in the year ended 31 December 2006 (the same plants).

There are the low and high seasons: the summer period (May - August) is considered the low season and the winter period peaking in November-December is considered the high season. The summer is considered to be a lower period of consumption for vodka, while the long public holidays during November-December (with part of January) are the reason for high demand in the second half of the year. In December the distributors make reserves for trading in January of the next year.

Retail

Within the retail segment, similar seasonal trends are seen to those detailed regarding spirits above.

Traditionally, the habitual residents prefer to make extra purchases before the holidays, concentrated in November and December. For example, the November trade is 1.5 times as much as the monthly average, whereas the December trade is twice as much.

Food

The high season for dairy products is the winter when the supply of raw milk is at the lowest. The company is able to mitigate partially the effect of the seasonality in the supply of raw milk by producing stores of condensed milk with long storage period in the summer months, to be used in the winter months.

Meat and poultry products consumption has a light trend to increase in the second half of the year, partially due to the long Easter fast (about 1.5 months) in the first half of the year and due to the long New Year and the Christmas public holidays in the second half of the year.

The Group's marketing and production policy is planned in such a way so as to pay full account on the existing seasonality and to optimise capacities and warehouses load. The Group Management does not expect significant changes to the seasonal cycle in the near future.

17. Segment reporting

The Group operates in three principal business segments, namely: production of distillery products, food production, and retail sales.

17.1. Results of Group's operations by segments

Business segment

Six months 2007	Distilled spirit production	Food	Trade	Unallocated corporate transactions	Group
Revenue, including:	2 922 423	1 347 147	717 521	6 785	4 993 875

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Proceeds of the Group from operations with third parties	2 603 579	1 339 259	702 494	3 264	4 648 595
Intersegment proceeds	318 844	7 888	15 027	3 521	345 280
Total cost, including	(2 124 923)	(879 965)	(551 132)	(2 753)	(3 558 773)
Cost of operations with third parties	(2 107 275)	(877 877)	(232 225)	(2 644)	(3 220 020)
incl. Amortisation and depreciation	(41 347)	(40 504)	-	(96)	(81 947)
Cost of intragroup operations	(17 648)	(2 088)	(318 907)	(110)	(338 753)
Gross profit	**797 501**	**467 181**	**166 389**	**4 032**	**1 435 103**
General and administration expenses, including:	(160 319)	(124 195)	(14 500)	(68 034)	(322 929)
General and administration expenses from operations with third parties	(160 254)	(123 963)	(14 500)	(67 917)	(322 516)
incl. Amortisation and depreciation	(3 963)	(1 760)	(443)	(762)	(6 928)
Expenses from intersegment operations	(65)	(231)	-	(118)	(413)
Selling expenses total, including:	(278 067)	(96 554)	(100 977)	-	(519 717)
Selling expenses from operations with third parties	(277 186)	(95 166)	(96 879)	-	(513 351)
incl. Amortisation and depreciation	(6 230)	(833)	(2 826)	-	(9 890)
Expenses from intersegment operations	(881)	(1 388)	(4 098)	-	(6 367)
Other income, including:	(32 221)	12 510	711	199 906	180 906
Other income from operations with third parties	(32 221)	12 510	711	199 906	180 906
Income from intersegment operations	-	-	-	-	-
Other expenses total, including	(46 872)	(78 750)	(7 716)	(19 107)	(152 446)
Other expenses from operations with third parties	(47 125)	(78 750)	(7 716)	(19 107)	(152 699)
Expenses from intersegment operations	252	-	-	-	252
Operating profit	**280 021**	**180 193**	**43 906**	**116 796**	**620 916**
Finance expenses total, including:					(233 039)
Finance expenses from operations with third parties					(136 451)
Profit tax					(104 074)
Profit					**380 390**

Six months 2006	Distilled spirit production	Food	Trade	Unallocated corporate transactions	Group
Revenue, including:	1 030 083	1 194 980	699 764	6 070	2 930 896
Proceeds of the Group from operations with third parties	916 725	1 187 028	691 944	4 721	2 800 418
Intersegment proceeds	113 358	7 952	7 820	1 349	130 479
Total cost, including	(778 624)	(953 020)	(561 439)	(845)	(2 293 927)
Cost of operations with third parties	(769 966)	(951 879)	(447 099)	(845)	(2 169 788)
incl. Amortisation and depreciation	(24 745)	(26 533)	(9)	(738)	(52 024)
Cost of intragroup operations	(8 658)	(1 141)	(114 340)	-	(124 139)
Gross profit	**251 459**	**241 960**	**138 325**	**5 225**	**636 969**
General and administration expenses, including:	(57 816)	(71 427)	(16 218)	(18 441)	(163 902)
General and administration expenses from operations with third parties	(57 749)	(71 338)	(16 218)	(18 324)	(163 629)
incl. Amortisation and depreciation	(1 897)	(3 228)	(952)	(362)	(6 439)
Expenses from intersegment operations	(67)	(88)		(117)	(273)
Selling expenses total, including:	(152 986)	(84 231)	(94 459)	(204)	(331 880)
Selling expenses from operations with third parties	(152 588)	(84 231)	(87 339)	(204)	(324 363)
incl. Amortisation and depreciation	(4 154)	(616)	(2 107)	-	(6 877)
Expenses from intersegment operations	(397)	-	(7 120)	-	(7 517)
Other income, including:	22 474	161 287	7 419	1 890	193 070
Other income from operations with third parties	21 045	161 266	7 419	1 890	191 620

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Income from intersegment operations	1 429	21	-	-	1 450
Other expenses total, including	(13 142)	(37 426)	(12 994)	(2 685)	(66 246)
Other expenses from operations with third parties	(13 142)	(37 426)	(12 994)	(2 685)	(66 246)
Expenses from intersegment operations					-
Operating profit	**49 989**	**210 163**	**22 073**	**(14 214)**	**268 011**
Finance expenses total, including:					(107 939)
Finance expenses from operations with third parties					(84 694)
Finance expenses from intersegment operations					(23 245)
Profit tax					(4 937)
Profit					**178 380**

17.2. By business-segment distribution of assets and liabilities

By business-segment distribution of assets and liabilities

30 June 2007	Distilled spirit production	Food	Trade	Unallocated corporate balances	Elimination	Group
ASSETS						
Non-current assets						
Property, plant and equipment	917 571	829 573	31 268	1 209	-	1 779 621
Goodwill	59 927	42 600	-	-	-	102 526
Intangible assets	187 629	1 196	1 059	637 093	-	826 977
Other investments	43 557	142 599	-	2 481 796	(2 635 838)	32 114
Deferred tax assets	31 767	161	-	2 542	-	34 470
Total non-current assets	1 240 451	1 016 128	32 327	3 122 639	(2 635 838)	2 775 707
Current assets						-
Inventories	820 655	525 645	94 273	1 512	-	1 442 085
Biological assets	-	93 433	-	-	-	93 433
Trade and other receivables	1 777 672	1 564 831	12 696	29 873	(1 339 953)	2 045 119
Prepayments	570 910	80 269	15 853	4 750	(8 552)	663 231
Advances for subsidiary acquisition originated	-	-	-	1 480 440	-	1 480 440
Non-interest-bearing loans, originated	30 936	207 332	1 610 380	675 321	(2 462 627)	61 342
Assets held for sale	-	2 383	17 752	-	-	20 135
Other current assets	2 866	496	334	41	-	3 736
Income tax overpaid	7 277	3 468	387	88	-	11 219
Cash and cash equivalents	141 963	59 305	28 555	89 761	-	319 584
Total current assets	3 352 279	2 537 161	1 780 231	2 281 785	(3 811 132)	6 140 324
TOTAL ASSETS	4 592 730	3 553 290	1 812 558	5 537 394	(6 446 970)	8 916 031
LIABILITIES						
Non-current liabilities						
Long-term borrowings	158 170	120 750	-	-	-	278 920
Deferred tax liabilities	85 577	33 235	-	152 337	-	271 149
	243 747	153 985	-	152 337	-	550 069

Current liabilities

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Loan on debentures	-	-	-	985 714	-	985 714
Loans due in less than one year	1 458 127	2 221 224	299 123	1 173 801	(2 460 391)	2 691 884
Accounts payable	1 664 407	1 430 868	106 826	235 671	(1 350 741)	2 087 030
Income tax due	5 461	8 291	25	1 106	-	14 883
	3 127 995	3 660 383	405 973	2 396 292	(3 811 132)	5 779 511
TOTAL LIABILITIES	3 371 742	3 814 368	405 973	2 548 629	(3 811 132)	6 329 580

31 December 2006	Distilled spirit production	Food	Trade	Unallocated corporate balances	Elimination	Group
ASSETS						
Non-current assets						
Property, plant and equipment	898 678	780 981	30 241	14 650	-	1 724 549
Goodwill	59 927	42 600	-	-	-	102 526
Other intangible assets	179 434	1 137	1 117	3 206	-	184 894
Other investments	41 709	133 659	2 510	2 418 381	(2 534 200)	62 058
Deferred tax assets	19 866	9 087	949	2 336	-	32 239
Total non-current assets	1 199 614	967 464	34 816	2 438 574	(2 534 200)	2 106 267
Current assets						
Inventories	655 372	473 832	123 249	683	-	1 253 136
Biological assets	1	75 929	-	-	-	75 930
Trade and other receivables	1 683 714	1 585 153	164 660	132 235	(1 484 166)	2 081 595
Prepayments	310 176	67 567	3 388	2 978	(45 436)	338 673
Loans to related parties	369 954	622 481	227 488	926 484	(734 261)	1 412 146
Income tax overpaid	27 827	2 729	220	-	-	30 777
Cash and cash equivalents	159 725	55 500	64 693	13 846	-	293 763
Total current assets	3 206 769	2 883 191	583 697	1 076 227	(2 263 863)	5 486 021
TOTAL ASSETS	4 406 383	3 850 655	618 513	3 514 801	(4 798 063)	7 592 288
LIABILITIES						
Non-current liabilities						
Long-term borrowings	217 550	111 000	30 000	-	-	358 550
Deferred tax liabilities	78 201	32 304	116	-	-	110 620
	295 751	143 304	30 116	-	-	469 170
Current liabilities						
Bond issue	-	-	-	1 000 000	-	1 000 000
Loans due in less than one year	872 627	2 018 423	316 369	1 053 039	(1 715 996)	2 544 461
Accounts payable	1 337 671	582 975	93 072	93 207	(725 150)	1 381 775
Income tax due	35 317	6 892	948	224	-	43 381
	2 245 615	2 608 290	410 389	2 146 470	(2 441 146)	4 969 618
TOTAL LIABILITIES	2 541 366	2 751 594	440 505	2 146 470	(2 441 146)	5 438 788

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18. Related party transactions

The major shareholders of the Group are A.A. Mechetin and V.G. Zavadnikov, who held 65% and 31% shares of the Group, respectively, at 30 June 2007. Mr Mechetin is therefore the ultimate controlling party.

Compensation of key management personnel

Remuneration paid to key management personnel for the first half year 2007 was RUR 49 900 thousand (in first half year 2006, RUR 28 770 thousand).

The remuneration of directors and key executives is determined by labor contracts. The directors received no share based payments, post employment benefits and other benefits in the period under review.

A number of key management personnel, or their related parties, hold positions in other entities that result in then having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-related parties or on arms length basis.

The aggregate value of transactions and outstanding balances relating to related parties over which they have control or significant influence were as follows:

Sales of goods and services

	Six months ended 30 June 2006	Six months ended 30 June 2007
Sales of goods	7 199	189 738
Sales of services	3 418	3 525
	10 617	193 263

Purchases of goods and services

	Six months ended 30 June 2006	Six months ended 30 June 2007
Purchases of goods	244 709	48 660
Purchases of services	314	1 338
	245 023	49 998

Receivables and payables arising from sales and purchases of goods and services

	31.12.2006	30.06.2007
Trade and other receivables from related parties	46 175	130 105
Trade and other payables to related parties	73 148	278 829

Loans to related parties

	2006	2007
Beginning of year	-	677 556
Loans advanced during six months	455 388	836 199
Loans repayments received	-	397 283
Interest charged	9 405	61 634
Interest received	-	52 161
Reclassification into advances for acquisition of subsidiary	-	1 064 603
End of the period	464 793	61 342

Loans from related parties

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	2006	2007
Beginning of year	-	13 478
Loans received during six months	38 192	-
Loans paid	33 648	13 362
Interest accrued	152	-
Interest paid	37	116
End of the period	4 659	-

Non-interest bearing loans are provided by and to related parties, principally in order to finance acquisitions. More details are given with regard to the nature of these transactions in the financial statements for the year ended 31 December 2006.

19. Events after the balance sheet date

Bond issue

On 26 July 2007, the Group placed a certified interest-bearing non-convertible and registered bond. The interest rate payable is 10.7% per annum and the bond is redeemable in July 2010. The bond is secured over the following Group companies: Ussuriysky Balsam OAO, Permsky Uralalko Distillery OAO, and Mariinsky Distillery OAO.

Business combination

In July 2007, the Group gained control over 100% of the shares of Traditsii Kachestva OOO distillery, located in the town of Krasnoznamensk. Traditsii Kachestva OOO has three subsidiaries: Zodiak OOO (Moscow Region), Diamant-Alko OOO (Moscow), OOO and Ob'edinennye spirtovye zavody OOO (Kursk region). From 10 July 2007, the percentage of equity owned by Synergy OAO in the authorised capital of Zodiak OOO was 80% and in the authorised capital of Diamant-Alko OOO, 100%, respectively. The rest 20% in the authorised capital of Zodialk OOO is owned by Diamant-Alko OOO.

Taking into consideration that neither of four companies of the Traditsii Kachestva Group (Diamant-Alko OOO, Traditsii kachestva OOO, Zodiak OOO and Ob'edinennye spirtovye zavody OOO) did not administer its accounting according to the IFRS and consolidated accounting was not drawn up, the Management of OAO Synergy was guided by the accounting of the mentioned companies made in accordance with Russian accounting standards and by information given by the companies' management.

Key information was viewed to help to make this decision on this M&A transaction. This information contained revenue, cost prices, earnings of potential subsidiaries, management and accounting estimation of their actives and liabilities. The given information has been properly studied, systematised and checked up in the preparing period and during the due diligence exercise.

Group management considers the price paid for the got active fair, to the full considering financial condition and prospects of the development of the Traditsii Kachestva Group.

According to IFRS 3 "Business combinations" the organisation-buyer recognises identified actives, obligations and conditional obligations of the got organisation at their fair cost for date of purchase.

Acquired companies have a significant amount of acquired fixed assets and identifiable intangible assets (mainly, brands). Group has made the decision to engage an independent appraiser to assess the fair value of the fixed assets and intangible assets of the Traditsii Kachestva Group on the date of its acquiring.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

At date of signing of this report, work of the independent appraiser was not completed and any data on an estimation of fair cost of the fixed assets and intangible assets of the Traditsii Kachestva Group is not available. The management of OAO Synergy has no opportunity to reflect corresponding values in the present financial report.

In the absence at the acquired companies of the sufficient reporting for the period ended 30 June 2007, made on IFRS, and also insufficient experience of the Traditsii Kachestva Group management in preparation of the reporting according to IFRS, the management of OAO Synergy has no opportunity to assess values of revenue of the Traditsii Kachestva Group with any degree of certainty.

The value of net assets of the Traditsii Kachestva Group as at the acquisition date, calculated in accordance with the Russian Accounting Standards amounted to RUR 203 193 thousand; the revenue for 6 months ended 30 June 2007 amounted to RUR 473 642 thousand; net profit for this period amounted to RUR 21 755 thousand.

Group structure after the balance sheet date

In the period from 1 July to 19 October 2007, the Group management increased the percent of direct ownership of the shares of the Group subsidiaries. At 19 October 2007 the Group structure was as follows.

Group company	Share of the Group in ordinary voting share capital as at 19 October 2007, %
Synergy OAO	parent company
Alviz OAO	70,94%
Alviz Rosalko ZAO	99,99%
Finansist OOO	50,00%
Frenk OOO	55,54%
Habarovskiy Distillery OAO	51,00%
KVEN ZAO	72,77%
Lysogorskaya Poultry Plant OAO	88,49%
Mikhailovskaya Poultry Plant OAO	85,70%
Nahodkinsky Meat-Packing Factory OAO	90,00%
PPZ Tsarevschinbsky-2 OAO	85,70%
Rodstor ZAO	99,90%
Synergy-Capital OAO	100,00%
Synergy-Vostok OAO	100,00%
Trading House of Habarovskiy Distillery OOO	100,00%
Ussuriysky Balsam Trade Network OOO	94,27%
Permsky Uralalko Distillery OAO	83,50%
Ussuriysky Dairy Plant OAO	93,83%
Ussuriysky Balsam OAO	69,85%
AKA and K OOO	100,00%
Zorinsky breeding farm of 1 level OAO	85,70%
Permspirt OOO	100,00%
Dakgomz OAO	98,47%
Dakgomz-Torg OOO	98,47%
Chugunovsky Distillery OAO	58,35%
Akruks OOO	100,00%

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Group company	Share of the Group in ordinary voting share capital as at 19 October 2007, %
Mariinsky Distillery OAO	78,15%
ROOM ZAO	99,97%
Saratov-Broiler ZAO	100,00%
Zavod sortovyh kolbas OOO	100,00%

Group management is not aware of other events after the balance sheet date that would require recognition in the financial statements or disclosure in the notes.

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Eugeny Samoilov

General Director

"Baker Tilly Russaudit" Ltd