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**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2011**

**ОАО SYNERGY  
(SYNERGY GROUP)**

**MOSCOW 2012**

## 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, 2011, 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 December 31, 2011, 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**

**Power of Attorney No. 01-10/12-8, dated 10.01.2012**

**Basic Registration Number 29602000361**

**9 April 2012**

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



**SYNERGY GROUP**

*Consolidated Financial Statements for the year ended 31 December 2011  
(All amounts in Russian Rubles thousand, unless stated otherwise)*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<u>2011</u>	<u>2010</u>
Revenue	25 213 402	21 127 888
Cost of sales	(16 275 796)	(13 748 158)
<b>Gross profit</b>	<b>8 937 606</b>	<b>7 379 730</b>
General and administrative expenses	(1 880 589)	(1 367 620)
Distribution expenses	(3 963 457)	(3 061 293)
Other income/(expense)	(250 192)	(35 067)
<b>Operating profit</b>	<b>2 843 368</b>	<b>2 915 750</b>
Net finance costs	(665 902)	(759 578)
<b>Profit before tax</b>	<b>2 177 466</b>	<b>2 156 172</b>
Income tax	(516 242)	(583 341)
<b>Net Income</b>	<b>1 661 224</b>	<b>1 572 831</b>
Attributable to:		
Equity holders of the Company	1 589 300	1 513 420
Non-controlling interest	71 924	59 411
<b>Basic earnings per share</b> (expressed in RUB per share)	<b>75.64</b>	<b>83.89</b>

Mechetin A.A., Chairman of Management Board \_\_\_\_\_

Kim E.S., Chief Accountant \_\_\_\_\_

9 April 2012



**SYNERGY GROUP**

Consolidated Financial Statements for the year ended 31 December 2011

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>31 December 2011</u>	<u>31 December 2010</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4 627 001	3 898 465
Goodwill	212 554	212 554
Intangible assets	5 457 033	5 172 936
Other long-term assets	179 065	105 965
Deferred tax assets	254 693	179 988
<b>Total non-current assets</b>	<b>10 730 346</b>	<b>9 569 908</b>
<b>Current assets</b>		
Inventories	5 062 831	3 275 789
Biological assets	216 891	201 986
Trade and other receivables	10 993 518	9 303 506
Prepayments	329 768	675 937
Income tax overpaid	27 788	31 719
Cash and cash equivalents	717 807	2 000 455
<b>Total current assets</b>	<b>17 348 603</b>	<b>15 489 392</b>
<b>TOTAL ASSETS</b>	<b>28 078 949</b>	<b>25 059 300</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity and reserves</b>		
Owners' equity:		
Share capital	2 567 000	2 182 000
Treasury Shares	(513 130)	(162 614)
Retained earnings	6 933 863	5 339 643
Other reserves	7 092 602	6 498 228
Non-controlling interest	611 371	570 939
<b>Total equity and reserves</b>	<b>16 691 706</b>	<b>14 428 196</b>
<b>Non-current liabilities</b>		
Loans and borrowings	4 323 987	4 967 226
Deferred tax liabilities	887 262	821 949
<b>Total non-current liabilities</b>	<b>5 211 249</b>	<b>5 789 175</b>
<b>Current liabilities</b>		
Loans and borrowings	1 242 640	1 193 346
Trade and other payables	4 815 452	3 548 552
Income tax payable	117 902	100 031
<b>Total current liabilities</b>	<b>6 175 994</b>	<b>4 841 929</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>28 078 949</b>	<b>25 059 300</b>

Mechetin A.A., Chairman of Management Board

Kim E.S., Chief Accountant

9 April 2012



**SYNERGY GROUP**

Consolidated Financial Statements for the year ended 31 December 2011

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Treasury Shares	Retained earnings	Other reserves	Total shareholders' equity	Non-controlling interest	Total
<b>Balance at 31 December 2009</b>	<b>1 790 000</b>	<b>(56 890)</b>	<b>3 826 223</b>	<b>4 325 292</b>	<b>9 884 625</b>	<b>509 528</b>	<b>10 394 153</b>
Shares issue	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
<b>Total changes, not recorded into net profit</b>	<b>392 000</b>	<b>(105 724)</b>	<b>-</b>	<b>2 172 936</b>	<b>2 459 212</b>	<b>2 000</b>	<b>2 461 212</b>
Net profit for the period	-	-	1 513 420	-	1 513 420	59 411	1 572 831
<b>Balance at 31 December 2010</b>	<b>2 182 000</b>	<b>(162 614)</b>	<b>5 339 643</b>	<b>6 498 228</b>	<b>13 857 257</b>	<b>570 939</b>	<b>14 428 196</b>
Shares issue	385 000	-	-	4 328 986	4 713 986	-	4 713 986
Other changes in non-controlling interest	-	-	4 920	-	4 920	(20 812)	(15 892)
Disposal of a subsidiary	-	-	-	-	-	(10 680)	(10 680)
Repurchase of shares	-	(350 516)	-	(3 734 612)	(4 085 128)	-	(4 085 128)
<b>Total changes, not recorded into net profit</b>	<b>385 000</b>	<b>(350 516)</b>	<b>4 920</b>	<b>594 374</b>	<b>633 778</b>	<b>(31 492)</b>	<b>602 286</b>
Net profit for the period	-	-	1 589 300	-	1 589 300	71 924	1 661 224
<b>Balance at 31 December 2011</b>	<b>2 567 000</b>	<b>(513 130)</b>	<b>6 933 863</b>	<b>7 092 602</b>	<b>16 080 335</b>	<b>611 371</b>	<b>16 691 706</b>

Mechetin A.A., Chairman of Management Board

Kim E.S., Chief Accountant

9 April 2012



**SYNERGY GROUP**

Consolidated Financial Statements for the year ended 31 December 2011  
(All amounts in Russian Rubles thousand, unless stated otherwise)

**CONSOLIDATED CASH FLOW STATEMENT**

	2011	2010
<b>Cash flows from operating activities</b>		
Profit before income tax and finance costs	2 843 368	2 915 750
Adjustments for:		
Depreciation and amortisation	434 477	424 540
(Gain)/loss on disposal of property, plant and equipment	(7 896)	(868)
(Gain)/loss on disposal of materials	239 329	221 251
(Gain)/loss on disposal of subsidiaries	59 628	-
(Gain)/loss on write-off of accounts payable	(9 694)	(199 576)
(Gain)/loss on change in fair value of biological assets	(30 843)	(66 801)
Reserves and accruals	70 082	137 993
(Gain)/loss on disposal of financial assets	7 753	9 872
Other non-cash transactions	(260 962)	(46 252)
Changes in working capital:		
(Increase)/decrease in inventories and biological assets	(1 905 911)	(500 709)
(Increase)/decrease in accounts receivable	(2 076 412)	(2 520 575)
Increase/(decrease) in accounts payable	962 869	625 967
<b>Cash flows from operating activities</b>	<b>325 788</b>	<b>1 000 592</b>
Interest paid	(610 603)	(622 160)
Income tax paid	(509 937)	(453 781)
<b>Net cash flow from operating activities</b>	<b>(794 752)</b>	<b>(75 349)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	44 466	382
Disposal of subsidiaries	66 918	-
Disposal of other financial assets	-	27 000
Acquisition of property, plant and equipment and intangible assets	(780 106)	(718 931)
Disposal of property, plant and equipment and intangible assets	196 111	24 213
<b>Net cash flow from investing activities</b>	<b>(472 611)</b>	<b>(667 336)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital	4 713 986	3 617 525
Repurchase of own shares	(4 085 128)	(1 158 313)
Loans received	11 806 635	22 554 573
Loans repaid	(12 450 778)	(23 005 042)
<b>Net cash flow from financing activities</b>	<b>(15 285)</b>	<b>2 008 743</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1 282 648)</b>	<b>1 266 058</b>
Cash and cash equivalents at beginning of the year	2 000 455	734 397
<b>Cash and cash equivalents at end of the year</b>	<b>717 807</b>	<b>2 000 455</b>

Mechetin A.A., Chairman of Management Board

Kim E.S., Chief Accountant

9 April 2012

