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## History

The history of Synergy PJSC started in 1999, when Alexander Mechetin together with the other shareholders founded the Joint Stock Company Synergy-Vostok. At that time development of food production in the Far East of Russia was the core business of Synergy-Vostok JSC. Synergy PJSC (hereinafter referred to as «the Company») was established in December 2004 to optimize the corporate structure of the existing group of companies.

In 1999 the Company acquired a majority interest in one of the largest meat products manufacturers in Primorye, Nakhodkinsky Meat Processing Plant, OJSC.

In 2000, Ussuriysky Milk Plant JSC became a part of the Group. Today, this plant is one of the leaders on the dairy market in Primorye.

Since 2003, an agro-industrial complex in the Saratov region has been operating under the control of the Group. It was created on the basis of Mikhailovskaya Poultry Farm JSC, the largest poultry enterprise in the Saratov region, and today, being represented by two companies, it is one of the largest poultry enterprises in the Volga region. Apart from Mikhailovskaya Poultry Farm JSC, the complex includes PPZ Tsarevshchinsky-2 JSC (brood broiler egg production).

Since 2002, the Group has been actively developing its spirits branch: a series of mergers and take-overs have been done, that ensured rapid increase of the Group's share on the federal market of spirits and brought it to the top three companies.

In 2002, the Group acquired the majority interest of Open Joint Stock Company Ussuriysky Balsam, the spirits market leader of Primorsky Territory.

In 2003, it acquired the majority interest of Joint Stock Company URAL-ALKO Perm Distillery, the largest producer in the Urals region.

In 2004, Joint Stock Company Arkhangelsk Distillery (ALVIZ JSC), the absolute market leader in the Arkhangelsk region, joined the Group.

In 2005, the Group's business line Spirits production was reinforced with the acquisition of the majority interest of Joint Stock Company Khabarovsk Distillery, which enabled the Group to increase its market share of spirits in the Far Eastern Federal District.

Since 2005, spirits production has been a strategic priority for the Group's development. Relying on its dominant positions in the local markets in the regions where production facilities are located, the Group launched a number of federal brands and ensured their wider distribution.

# COMPANY OVERVIEW

In 2006, leading manufacturers of Nizhny Novgorod and Kemerovo regions, ROOM CJSC and Mariinsky Distillery JSC, entered the Group. In April 2006, the Group continued to develop its dairy branch and acquired the majority interest of Joint Stock Company DAKGOMZ (Komsomolsk-on-Amur). The amalgamation of two leading regional dairy producers, DAKGOMZ JSC and Ussuriysky Milk Plant JSC, enabled the Group to become one of the largest market players in this segment in the Far East.

In 2007, a deal was made on acquisition of TRADITIONS OF QUALITY, the factory near Moscow, and the Belenkaya vodka brand, one of the leaders in the middle-priced segment. Moreover, this year Beluga, the flagship brand of the Group was acquired, which became an absolute leader in the super-premium segment very soon.

In March 2008, the Group completed a deal on acquisition of Myagkov, one of the most successful brands in the lower premium segment.

## Information on the current main affiliated companies of the Group:

### **Holding companies**

Public Joint-Stock Company Synergy

Joint-Stock Company Penta Agrogroup

Joint-Stock Company Synergy Capital

Joint-Stock Company Synergy-Vostok

### **Spirits production plants**

Joint-Stock Company Arkhangelsk Distillery

Joint-Stock Company Khabarovsk Distillery

Joint-Stock Company Mariinsky Distillery

Joint-Stock Company URALALKO Perm Distillery

Open Joint-Stock Company Ussuriysky Balsam

Limited Liability Company Traditions of Quality

# COMPANY OVERVIEW

## Trading houses

Closed Joint-Stock Company Synergy Market Arkhangelsk

Limited Liability Company Sinergy Market Vostok

Limited Liability Company Sinergy Market DV

Limited Liability Company Sinergy Import

Limited Liability Company Sinergy Market Khabarovsk

Limited Liability Company Sinergy Market Nizhny Novgorod

Limited Liability Company Sinergy Market Vladivostok

Limited Liability Company Sinergy Market Perm

Limited Liability Company Sinergy Market Trading House

BELUGA VODKA INTERNATIONAL LIMITED

## Food manufacturers

Joint-Stock Company DAKGOMZ

Joint-Stock Company Mikhailovskaya Poultry

Joint-Stock Company UssuriyskyMILK PLANT

Open Joint-Stock Company Nakhodkinsky Meat Processing Plant

Joint-Stock Company PPZ Tsarevshchinsky-2

Limited Liability Company RodStor Trading House

## COMPANY POSITION IN THE INDUSTRY

Synergy is the largest company in the Russian spirit market. Our core business is the production and distribution of strong alcoholic beverages of the highest quality. Nowadays Synergy unites more than 9,000 employees and presents its production in over 70 countries around the world.

A well-balanced portfolio of trademarks ensures the presence of Company's production in all key segments of strong alcoholic beverages. Synergy key vodka brands today are the following: BELUGA, Veda, Myagkov, Belenkaya, and Gosudarev Zakaz. The Company's brandy line includes the following trademarks: Zolotoy Rezerv, Kamenniy Lev, Staraya Gvardia and its own Georgian cognac Sokrovishche Tiflisa, as well as a broad brand line of «VOGUE» sparkling wines. The company is the leader in the

# COMPANY OVERVIEW

production of bitter and sweet liqueurs of Doctor August line.

Synergy is an exclusive representative and distributor of premium producers of the world-famous trademarks: the multibrand company William Grant & Sons, Camus cognacs, the iconic bitter (herbal liqueur) Riga Balsam, Torres brandy, Amarula cream liqueur, Barcelo rum, wine companies such as famous Cono Sur, Maset, Pasqua.

Synergy has one of the most powerful and effective production complexes in Russia: 6 distilleries that are situated throughout the Russian Federation. Some of them have more than a century-old history. Nowadays all the distilleries of Synergy use the most modern equipment with a total output of over 15 million deciliters. The Company also manages its own largest distributive system in Russia with the staff of around 3,000 highly-skilled employees.

The additional business of Synergy is foodstuff manufacturing that is carried out by the subsidiary company PentAgro, JSC ([www.penta-agro.ru](http://www.penta-agro.ru)).

High levels of professionalism and achievements of the company are recognized by the business community. The Company has long-term international Issuer Default Rating (IDR) at level «B+» and national long-term rating at level «A-(rus)» assigned by Fitch Ratings.

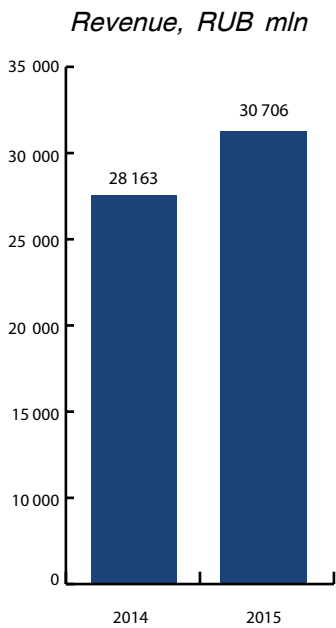
Synergy considers itself as a responsible participant of the national spirits market and implements the proactive policy of social responsibility. Regarding these directions, financial and organizational support of cultural and social projects, charity assistance are the essential parts of the Company business.

Synergy cooperates with professional industrial sector and government institutions (the Union of Spirits Manufacturers, Federal Service for Spirits Market Regulation). Besides, Synergy acts as a responsible taxpayer – at the year-end of 2015 the total payments of Synergy PJSC and its affiliated companies to the budgets of different levels amounted to over 21 billion rubles.

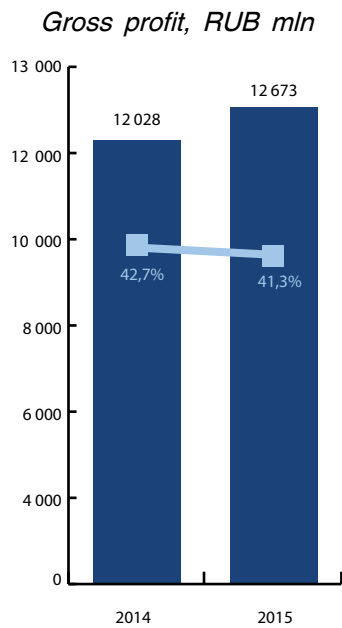
# COMPANY OVERVIEW

## Spirits Sales Overview Combined Information of All Operating Press Releases in 2015

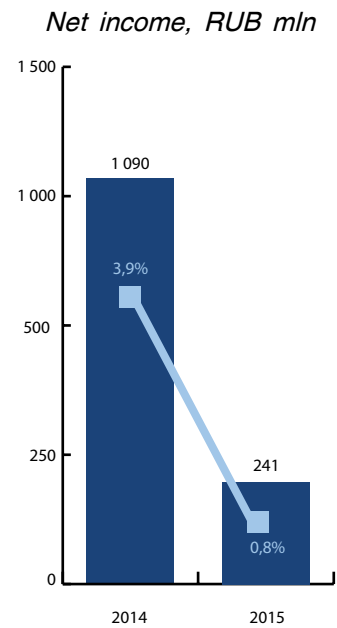
Sales, '000 deciliters <sup>1</sup>	2015	2014	% change
Aggregate annual volume	9 870	11 021	-10
Q1	1 675	1 729	-3
Q2	2 426	2 645	-8
Q3	2 500	2 845	-12
Q4	3 268	3 803	-14



■ Revenue, RUB mln



■ Gross profit, RUB mln  
■ Gross Profit Margin



■ Net income, RUB mln  
■ Net Profit Margin

<sup>1</sup> 1 deciliter is 10 liters



BELUGA  
HUNTING  
OLD BITTER

**BELUGA**  
FINEST  
QUALITY

**HUNTING**  
HERBAL  
ESTD 1900  
NOBLE BITTER  
RECIPE

40% VOL | WASH WITH PURE ICE OR NATURAL ROBERT PERRY | 500 ML  
PREMIUM SPIRITS AND PURE ARTESIAN WATER

## BRANDS



Synergy's portfolio of strategic national brands comprises a number of vodka, brandy and whisky brands. These trademarks have long been successful and constitute good shares in fast growing spirits segments. Federal brands are sold not only in the Russian Federation, but also abroad. Each brand is highly popular with consumers and targeted at a certain segment, ranging from the super-premium to the middle-priced, which ensures higher profitability of the company's national portfolio as a whole.

The company pays a lot of attention to the basic marketing function, branding, innovations, and restyling, which boost customers' loyalty and brings new ones. Each of the Synergy brands has its own clear-cut features and character as well as unique positioning.

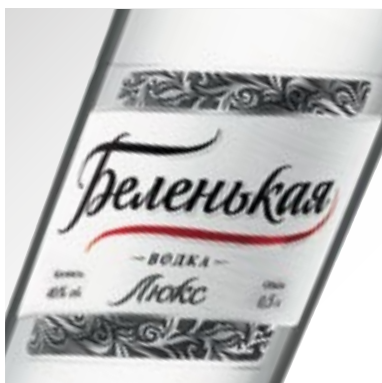
**Beluga vodka** is the Company's flagship product, brand №1 in the super-premium and ultra-premium segments in Russia. The unique combination of traditions and innovations together with the usage of the best ingredients allowed Beluga vodka to have pride of place in the list of symbols of Russia. Advance equipment of Mariinsky Distillery, artesian water wells, the possibility to use expensive malt spirit, and years-long experience of experts are the basic principles of stability and high quality of the product.

In 2015, the company expanded its Beluga line (Beluga Noble, Beluga Gold, Beluga Transatlantic Racing and Beluga Allure), having introduced Beluga Celebration vodka and a series of Beluga Hunting bitters on the market: **Beluga Hunting Herbal** and **Beluga Hunting Berry**.

**Myagkov vodka** is one of the key players in the Russian vodka market in the sub-premium segment. The main competitive advantage of the brand is its exceptional mild flavor. This unique peculiarity of the product is due to combination of softened water, dynamic filtration, and natural ingredients during the production process.

The Myagkov brand team is constantly searching for and developing non-standard marketing solutions: the assortment of the Myagkov brand is regularly accomplished with new products of the most popular market trends, such as liqueurs. 40%-strong Myagkov Cranberry, Myagkov Lemon, Myagkov Chili & Honey, as well as 20%-strong Myagkov liqueurs have all taken their place in the brand line. In 2015, the Company launched a limited edition Myagkov Playboy in collaboration with the world famous magazine, which became an instant best-seller.

## BRANDS



**Belenkaya vodka** is one of the leaders in the vodka market in Russia. Due to this, it was awarded annual national prize Product of the Year in the vodka category. Belenkaya is on the way to strengthen its leadership in the market leaving the competitors far behind. Moreover, the brand is always in the world's best-selling vodka brands as rated by The Millionaires' Club Drinks International. This results from the stable high quality of the product.

**Russian Ice vodka.** After revolutionary restyling its brand package design, Russian Ice started to correspond to all the criteria of the modern vodka market. This had a significant impact on sales and distribution of the brand in 2015.



**Gosudarev Zakaz (Sovereign's Order) vodka** is the leader in the economy segment of the spirits market and is Top 10 of the Russian vodka market. For the last 3 years the sales of vodka Gosudarev Zakaz have steadily demonstrated growth. Gosudarev Zakaz vodka wins more and more customers thanks to its high quality inheriting sovereign's production traditions which imply the maximum level of vodka's purity.

**Zolotoy Rezerv brandy.** The company actively works both in the vodka and brandy segments of the spirits market. It should be noted that brandy market ranks second after the vodka one in terms of volume in Russia. Developing its own brand Zolotoy Rezerv, the Company makes the top five of the biggest manufacturers of brandy in Russia.



**Staraya Gvardia and Kamenniy Lev brandies.** The company continues to steadily increase its market position in the brandy market, including through the expansion of the product range. Staraya Gvardia has successfully progressed in the middle-priced segment in the Russian market, whereas Kamenniy Lev is one of the leaders in the sub-premium segment.

## BRANDS



**Ussuriysky Balsam and Doctor August** Starting from the year-end of 2014 and beginning of 2015 three new products were launched in the Russian market. Ussuriysky Balsam, Ussuriysky liqueur and Ussuri Ginseng. Moreover, the Company introduced a new product, a series of Doctor August liqueurs. The range of taste is truly unprecedented: 28 items split into five categories: bitter, sweet, brandy, liqueurs and aperitifs.

During the first year, Doctor August demonstrated sales increase of 27%, thus taking 9% of the market in Russia. In 2015, the brown spirits category was extended with the launch of low-alcohol flavors: berry liqueurs and aperitifs. New products have also demonstrated significant sales in 2015.



The success of the brand in the market is due not only to the modern and attractive design of the products standing out on the shelf, but is also due to the use of natural ingredients in tinctures, production traditions at plants with rich multi-year experience and history – Alviz and Ussuriysky Balsam, as well as the fullest range of tinctures to cater to any taste.



*Беленькая*



EVERY DROP IS THOROUGHLY FILTERED  
**THROUGH 13 METERS**  
**OF CARBON FILTER**

# BELUGA



**Beluga** is the leader in super and ultra-premium vodka segment in Russia and N°4 super-premium vodka in the world.

Beluga is manufactured in Siberia at Mariinsk Distillery founded in 1900. The base of the first-class product consists of high quality ingredients, painstaking work of masters, their attention to every detail and strict production control on all stages.

Beluga is sold in more than 80 countries and 180 airports worldwide.

Beluga brand portfolio is currently represented by:

**Beluga Noble** is refined in every way, down to every detail. Thanks to the unique production technology, including both innovations and centuries-old traditions, the flavour of Beluga Noble has acquired an irreproducible smoothness. A combination of sugar syrup, natural honey, oatmeal infusion, holy thistle and a touch of vanilla, rested for 30 days.

**Beluga Transatlantic Racing** is a limited edition Beluga vodka, created in honor of yachting sport. With extracts of wild strawberry and barley malt, Beluga Transatlantic is rested for 45 days having undergone an additional filtration using natural cotton.

**Beluga Allure** is a collectors' edition of Beluga vodka, inspired by the beauty of the noble polo sport. With a resting period of 60 days, Beluga Allure offers an outstanding flavour created from maple syrup extract and an infusion of figs.

**Beluga Gold Line** is the most premium vodka in the range rested over a 90 day period. Harmonious flavor of this vodka is the result of long creative search of the specialists. Each bottle is individually numbered and comes with a wax sealed cork, accompanied by a unique Beluga hammer and brush.

**Beluga Celebration** is a limited edition bottle created to commemorate the 115th anniversary of the Mariinsk Distillery. The bottle is created using a sophisticated combination of modern technologies and traditional techniques to produce a truly exclusive product symbolizing luxury, nobility and craftsmanship.

**Beluga Hunting Herbal** and **Beluga Hunting Berry** bitters are created by master blenders who take care of the complicated production process. The unique combination of herbs and berries growing in Siberia, malt spirit, artesian water and traditions of Mariinsk century-old distillery were embodied in the noble taste of the bitters.

# BELUGA



## MYAGKOV

**Myagkov vodka** is one of the key players in the Russian vodka market in the sub-premium segment. Today the assortment of the Myagkov brand comprises 2 kinds of vodka: Myagkov and Myagkov Silver; 3 kinds of bitter liqueur: Myagkov Cranberry, Myagkov Lemon and Myagkov Chili & Honey; 1 sweet liqueur Myagkov Ashberry with Brandy and liqueur Myagkov Cappuccino. Myagkov Playboy represents the limited edition vodka series, which was launched in 2015.

In the future the brand is going to renew the assortment to offer more unusual and creatively different products as well as the line of liqueurs and bitter liqueurs 'for women' is going to be expanded.

The current design of the brand – the shape of the bottle, the label and cap design – is a vivid example of innovative marketing. Thus, the wave-like embossing made the bottle more ergonomic. The label is there now to cater to consumers' needs and prevents counterfeiting: materials used in its production are limited and available to selected market leaders only.

The product looks actual, technological and innovative, stands out on the shelf and is highly competitive with major international market players.

Restyling was applied to the entire brand packaging line. The composition and the quality remained at the same high level.



# MYAGKOV



# VEDA

**Veda vodka** is a contemporary product that combines both traditional technologies and the unique «double ice filtering» method distinguishing Veda from the other brands. The production of this premium vodka was launched in 2004. Thanks to the dynamic strategy of promotion that lasted for three years, the brand became the second most popular in the premium segment.

Customers consider the Veda brand to be an innovation product, the creation of the latter is only possible through the use of by far the most updated technologies.

Today Veda vodka is manufactured at one of the most up-to-date and hi-tech enterprises in Russia – at Mariinsky Distillery located in Siberia and being a part of Synergy.



## RUSSIAN ICE

**Russian Ice** is one of the Synergy Company's oldest brands, which has taken its rightful place in the Company's assortment for 10 years. After the revolutionary restyling, the brand package design became fully correspondent to the criteria of the contemporary market and it made the trademark more popular as well as increased the consumer audience. The present strong vodka taste of Russian Ice is achieved thanks to use of high quality spirit Lux class and a special technology of multiple filtration that includes charcoal, gold and silver filtration.



## BELENKAYA

**Belenkaya** is one of the best-selling vodkas in Russia. In confirmation of this, it was awarded numerous annual national prizes Product of the Year in the vodka category. Moreover, every year the brand consistently ranks in the list of best-selling vodka brands in the world according to studies of «Drinks International», the internationally recognized magazine about spirits. The success of the brand is achieved thanks to steadily high quality of the product: quality performance of Belenkaya is several times higher than GOST requirements. Strong manufacturing traditions and rigid quality requirements make sure that every drop of vodka runs through 13 meters of the charcoal filter, which makes the product especially popular with the connoisseurs.

The development of the brand product line is achieved particularly through limited series. The New-Year limited series based on Belenkaya Lux Vodka and New-Year styled, as well as a limited series of Belenkaya Lux Vodka with unique camouflaged design and horses' images have taken their place in the market of limited edition products.

In order to attract more audience with «here and now» orders, a new 0.1 l volume (a glass) was launched. The benefits are obvious: High-quality product and appropriate consumption format.



# BELENKAYA



## GOSUDAREV ZAKAZ

One of the leaders in the economy segment of the vodka market is **Gosudarev Zakaz** (Sovereign's Order) – in 2015, it once again demonstrated growth and reached sales volume of more than 1.6 mln deciliters. After restyling in 2011, Gosudarev Zakaz has demonstrated the annual growth, always ranking in the top seven leading brands in Russia. In addition to the growing popularity of Gosudarev Zakaz among consumers, the other growth factors include a wide range of products, the increasing growth rate in the economy segment, and the expansion of distribution channels up to 85 000 outlets.

In particular, in 2015 Gosudarev Zakaz appeared in shops of all the federal retail chains of stores in Moscow and the Moscow region – the largest market in Russia.

According to forecasts, in 2016 the brand sales will increase to reach 1.9 mln deciliters at the year-end, which would mean a doubling of sales since 2011.



## KAMENNIY LEV

**Kamenniy Lev** (Stone Lion) brandy is a newly-designed product in Synergy assortment of brandies that is destined to strengthen the Company's position in the sub-premium segment. Kamenniy Lev was created on the model of the best European samples and stands out among its competitors in the range of Russian brandy. The main advantage of the Kamenniy Lev brand is the production of the latter only from French cognac materials. Status strict design of the bottle is made in the premium frosted dark-green color scheme that makes the product more attractive. The taste of Kamenniy Lev is characterized by fruity hints with subtle vanilla and chocolate flavors.



## STARAYA GVARDIA

Another brandy of mid-price segment is called **Staraya Gvardia** (Old Guard). This product naturally complemented the Company's brandy range. The original taste obtained through French cognac materials, a bright design of the product that personifies world military history, all these arouse considerable interest of consumers in Staraya Gvardia brandy.



## ZOLOTOY REZERV

**Zolotoy Rezerv** brandy (Gold Reserve) is the result of the unique combination of century-long traditions and modern technologies. French cognac materials of 5 years ageing give Zolotoy Rezerv a deep harmonic taste and a pleasant mature aroma.

Zolotoy Rezerv is one of the leaders in the Russian brandy market. Annual sales growth allowed the Company to be listed as one of the top five brandy manufacturers in Russia. In order to achieve this goal the brand underwent restyling: a new bottle with a metal vine-shaped dīcor and a new label to uncover French distillates were introduced.



# DOCTOR AUGUST

**Doctor August** is a collection of liqueurs prepared with respect for traditions and with use of the latest technologies. Rich flora of Russia is fully reflected in its great flavor. Berries and fruits for Doctor August liqueurs are picked on the days of their most generous blooming.

Exquisite flavour and aroma of Doctor August liqueurs are guaranteed by careful handling of ingredients, rigorous selection, high-quality alcohol, and specially prepared water.



# DOCTOR AUGUST



## KAPITANSKIY

One of the oldest Synergy plants, Ussuriysky Balsam and ALVIZ, launched a new product line of **Kapitanskiy rum** and **Kapitanskiy gin**. Naturally planted spices allowed experts to significantly improve the flavor of the product, which has long been well known to consumers in regional markets.

The year of 2015 was extremely successful for the brand. Today, it has wide federal distribution channels and is represented in all federal retail chains, including the target stores – discounter chains, most regional chains of stores, and a variety of non-chain retail outlets. The total number of retail outlets, where the brand is represented, reaches 40,000. The actual sales of the brand are twice as much as the original plans.

To improve the brand position in its category, new launches of potentially popular products – brandy and whiskey – are planned for 2016.

Sales of rum, gin and whiskey have been growing steadily in Russia, while the biggest sales ratio is demonstrated in the economy segment. The spirits range Kapitanskiy is dedicatedly developed to offer the consumers the first price.



# USSURIYSKY BALSAM

**Ussuriysky Balsam, Ussuriysky liqueur and Ussuriysky roots** are produced using the most advanced technologies, preserving the natural taste of taiga herbs. Strong tonic effect is achieved thanks to accurate following of the manufacturing procedure stated in the secret recipe.

In the USSR, Ussuriysky Balsam had long remained a product in short supply, available only to employees of «closed» enterprises and the party elite. Today, the product has overcome all the social and geographical boundaries. This legendary beverage is now available to every connoisseur of eco-products.



# 2

## ADDRESS BY CHAIRMAN OF THE MANAGEMENT BOARD



ALEXANDER  
MECHETIN

CHAIRMAN  
OF THE  
MANAGEMENT  
BOARD

Dear shareholders, partners and customers!

In 2015, despite the ongoing difficult conditions, the Company continued to implement a long-term development strategy, focusing on business diversification and increasing its operating efficiency. Against the backdrop of general unstable economic situation in 2015, Synergy demonstrated growth of certain financial figures due to proactive approach to all activities.

The Company increased its net revenue by 9%, the spirits segment revenue by 6% and gross profit by 5%, despite a 10% decrease in shipments in volume terms. Decrease in shipments was associated with a set of factors typical for crisis: decrease in purchasing power of the consumer and, as consequence, overall decrease in turnover in the country, plus the persisting significant market share of illegal products.

However, the Company's net profit showed a decrease due to a significant increase in the cost of financing in the first half of 2015. The Company has created a solid foundation to improve profitability in 2016 and beyond due to the program for improving business performance launched last year. The program included the following measures: reduction in operating expenses, particularly administrative costs; innovative restyling of products with a focus on import substitution of components; optimization of the production platform. Thus the Company created a strong basis to increase profitability in 2016 and in the future.

Currently, Synergy takes the leading position on the market of distilled beverages, possessing a diversified portfolio consisting of leading brands, great and unique distribution platform, while being the No1 independent importer of premium spirits.

Over the reporting period, guided the strategy of maximum diversification, the Company has brought to the market a number of brands with considerable potential. These include: Georgievskaya Vodka, Kapitanskiy Rum and Gin, cognac Sokrovishche Tiflisa, as well as a broad brand line of «Vogue» sparkling wines. The Company has developed its flagship super-premium Beluga brand. Here, we expanded our presence through the limited Beluga Celebration edition, as well as bitters Beluga Hunting Herbal and Beluga Hunting Berry.

In 2015, the Company rapidly developed distribution of imported products from partner companies. According to the results of 2015, the Company's imports showed a 32% increase (461 thousand dL).

Synergy signed exclusive contracts with new partners such as Allied Brands S.R.L. and Sazerac. Now, the Company represents Italian absinthe Xenta and American bourbons Benchmark and Buffalo Trace on the territory of the Russian Federation. In addition, Synergy's portfolio has been supplemented with the legendary

# ADDRESS BY CHAIRMAN OF THE MANAGEMENT BOARD

Caribbean rum Sailor Jerry and whiskey liqueur Drambuie from the Company's strategic partner William Grant&Sons. Currently, Synergy continues to strongly operate in the majority of highly profitable fields, which has positive impact on the Company's profitability in general and directly influences its stability.

*Alexander Mechetin  
Chairman of the Management Board of Synergy PJSC*

# ADDRESS BY CHAIRMAN OF THE BOARD OF DIRECTORS



SERGEY  
MOLCHANOV

CHAIRMAN OF  
THE BOARD OF  
DIRECTORS

Dear shareholders,

Synergy PJSC continues to be the systemically-important company, the largest private Russian company for the production and distribution of alcohol beverages, being to a certain extent the consolidator of the alcohol industry. The Company contributes to the development of civilized Russian spirits market at the operational level, as well as through its legislative initiatives.

The year of 2015 has presented new tasks for the industry, and Synergy in particular. Facing the challenges of the time, by possibly diversifying our activities, we continued our way forward despite the general economic instability.

Using its market advantages, Synergy has retained the market leader during the whole 2015, strengthened its presence not only in domestic but also external markets, launched new products, developed existing brands, and widened products import portfolio. This was ensured by innovative approaches in solving the tasks and focus on the diversification of our business.

Moreover, the Company has strictly followed its basic operation principles: effective cost control, higher labor productivity, operational optimization of business processes. As before, Synergy's results could not have been achieved without the modern management board, which has guided the company's activities for many years now, has unique experience, knowledge and skills for successful business and development of the Company in accordance with international corporate management principles.

# ADDRESS BY CHAIRMAN OF THE BOARD OF DIRECTORS

Of course, all Synergy employees have had a great contribution to the company's success. On behalf of the Board of Directors I would like to thank the people for their hard work, loyalty, and devotion. I would also like to express my gratitude to all the investors and partners who believed in the Company and supported it.

*Sergey Molchanov,  
Chairman of the Board of Directors of Synergy PJSC*

# 3

## KEY EVENTS 2015



### New Beluga products

The flagship super-premium brand of the company, Beluga introduced new exclusive products on the market that immediately became a success among connoisseurs of noble vodka. In the last quarter of 2015, Beluga launched a limited edition vodka dedicated to the 115th anniversary of Mariinsky distillery and intended to attract attention to the brand on the shelf. Beluga Celebration vodka produced with use of a unique technology was introduced in major chain stores in the territory of Russia, as well as welcomed with great interest in the export markets and international industrial exhibitions.



At the end of 2015 Beluga brand introduced a product in its new category of bitters – Beluga Hunting series. Like Beluga vodka, the super-premium bitters Beluga Hunting Herbal and Beluga Hunting Berry are produced at Mariinsky distillery. The bitters are made of dozens of different herbs and berries, artesian water, and special malt spirit. Launching a new product is due to the observed potential for bitters in Russia, the desire to attract new customers and maintain the loyalty of the current brand lovers.



### Vogue sparkling wines

In October 2015, the Company together with the publishing house Conde Nast introduced their new product on the market – premium Russian Vogue champagne line. Vogue Champagne is produced at the facilities of one of the leading Russian wine companies using premium varietal Russian grapes with Charmat method. The line includes 5 most popular SKU on the Russian market: three kinds of white wines, pink wine and red wine.

The category of Russian champagne appears promising due to the large capacity of the category (15.5 mln deciliters) and the increasing popularity of Russian champagne among consumers. In addition, production of champagne from Russian wine materials will legally allow to run advertising campaigns on TV, in the press and on the Internet, which is a significant competitive advantage in the market to achieve the targeted market objectives.

No doubt, the brand of style and beauty, Vogue, and the most premium wine category, Champagne, suit each other ideally, which was confirmed with the strong start of sales in Q4 2015.

### Georgievskaya Vodka

Last year the Synergy portfolio was widened with another high potential brand – Georgievskaya Vodka. The product is positioned in the middle-priced segment and symbolizes the idea of national values, grounds for pride of the country's history. The brand is represented by two SKU 0.5 and 0.7 liters and distinguished by

## KEY EVENTS 2015



the highest level of production: quality raw materials, pre-filtration through three layers of quartz sand, triple filtration through carbon batteries, as well as 2 cascades of gold filters.

### New horizons for Kapitanskiy

On the eve of 2015 the brand Kapitanskiy Rum was launched in the federal distribution. The brand became one of the pioneers of the category of products, similar to classic imported products (rum, whiskey, gin, etc.) in the Russian market. The first full year of operation became the first year of success for Kapitanskiy brand (in March 2015 the brand line was widened with gin) – the products were represented in almost all the federal chain stores, including in target stores: discounter chains, most regional chains and a number of non-chain retail outlets. By the end of the year, the distribution coverage of the brand reached 40,000 outlets, which is comparable to more popular vodka brands and domestic cognac brands. Thus the brand sales are twice as much as the original plans.



Today, the Russian spirits market shows a strong build-up in the analogue category, the capacity of which can be up to 1 mln deciliters, and Kapitanskiy brand has already become one of the leaders. To strengthen the position of the brand in 2016, new products with sales potential, brandy and whiskey, will be launched.

### Strengthening the presence in the cognac category



Last year was successful for the company in the cognac category. Synergy was the only independent Russian producer of cognac that demonstrated production increase in this category by 11.5%. In this segment, apart from the development of existing successful brands such as Staraya Gvardia and Kamenniy Lev, the Company launched its own brand of Georgian 3-year cognac Sokrovishche Tiflisa (Tiflis Treasure).

This category has one of the strongest potential among imported cognacs, actively restoring its market position lately. It is produced at the facilities of one of the leading and fastest growing manufacturers of Georgian brandy – Kakhetian Traditional Winemaking. This brand is intended to further strengthen the Company's position in the promising and growing cognac category.

# KEY EVENTS 2015



## Import portfolio increased

Synergy signed important long-term agreements with companies Allied Brands S.R.L. and Sazerac on the distribution of Italian absinthe Xenta and American bourbons Benchmark and Buffalo Trace in Russia.

Xenta is a leader in the absinthe category in Russia and presented in Synergy portfolio by three SKU Xenta, Xenta Distilled and Xenta Superior, designed to cater to the most demanding tastes.

American bourbons Benchmark and Buffalo Trace have long become legendary among connoisseurs of high-quality alcohol, and they are now represented in Russia.



The import portfolio of the Company in 2015 now includes the legendary Caribbean rum Sailor Jerry and whiskey liqueur Drambuie from William Grant & Sons.

In general, at the year end the imports grew by 32%. Today, the share of imported products in the Company's revenue is 13.3%, and Synergy itself is the largest independent Russian importer, as well as No. 4 among global importers, covering more than 7% of this segment.





**MYAGKOV — SOURCE OF SMOOTHNESS**

# 4

## STRATEGY



The basis of Synergy's strategy is being the leader in spirits production and distribution in Russia. One of the other fundamental goals that the Company aims at is widespread international recognition and awareness of the Beluga brand. The envisaged way to obtain the goals is the expansion of direct distribution, strengthening dedicated sales teams, increasing Synergy brands awareness and representation. The main focus of the Company is on the maximum possible diversification of its operations on both external and internal markets.

Through natural growth and business areas development, Synergy plans to occupy 20-25% of the legal spirits market in Russia. It should be noted that today the Company has a well-balanced portfolio of federal brands covering all the main categories in all price segments.

The Company aims to increase profitability through status upgrade and diversification of spirits sales. The Company also adheres to the conservative approach for debt indicators, the Company's debts may not exceed triple ratio of net financial debt to EBITDA.

### Development perspectives

Since 2002, Synergy has been carefully selecting the brands to be included in its federal distribution network, and today the Company's portfolio of own brands covers segments of vodka, liqueurs, balsams, brandy and whiskey.

These brands are sold everywhere in Russia and are in high demand. The Company's development strategy ensures continuous overall efficiency improvement, production costs optimization, and system-based market expansion. Moreover, the Company is considering the possibility of distribution strengthening by adding selective international premium brands to its distribution portfolio that is expected to boost the Company's operational efficiency. Development of the Company's own brands in the category of brandy should cover at least 10% of the market, which is the second largest spirits category in Russia. In the segment of liqueurs the Company's market share is about 15% with a target to obtain 20-25% in the future.

## STRATEGY



Diversification activities will include expanded distribution of exclusive and well-known international brands, as well as export development. The Company is the largest Russian independent spirits importer and one of the leading spirits exporters. The development strategy envisages building up leadership in export and import operations.

In 2015, the Company continued importing wines from major wine-producing countries, this development area will stay on the agenda.



Given the legal limitations for spirits advertisement, the Company pays special attention to trade marketing, working on larger representation of its high-quality brands in retail networks. Synergy carefully monitors the format and parameters of such product placement and develops its distribution system by increasing the number of exclusive sales teams in particular.



# 5

## MARKETING



Marketing plays one of the important roles in the Company's activities: a team of professionals does not stop the search for and development of new solutions to improve product quality and increase brand awareness. This is an important part of activities aimed at keeping the Company's leading position in the market.

In the context of the complete ban on alcohol advertising in the media, the Company is developing its marketing strategy with the enhanced support of its brands in the commodity structure. Intensive trade marketing events for distributors, promotion in retail outlets, promos for consumers – these activities help not only maintain, but also increase the brand loyalty.

### Beluga brand strategy

In the context of the current legislative restrictions, the Beluga brand focused on the quality and quantity of representation in trendy trade channels, attraction of attention to the brand on the shelf and differentiation from competitors, launch of new products, trade-marketing programs, elaboration of effective and trend-setting marketing solutions aimed at end consumer and implying the unique experience of brand interaction. Beluga has traditionally remained committed to its super-premium brand image and creation of information events for the consumer.



### Beluga image activation in POS

In 2015, the first seasonal branding of flagship stores in Moscow, St. Petersburg, Sochi and other cities in Russia was started. Apris-ski Beluga lounges opened at best Russian ski resorts. High-quality branding space attracted lots of visitors – Beluga bars, made of fine wood with forged elements, elegant Art Deco sleigh, sophisticated atmosphere with elements of cozy French chalets, as well as hot seasonal cocktails based on Beluga vodka.

Summer terraces of best summer restaurants and hotels in Russia (Prichal, Duran bar, Four Seasons, Ritz, Kempinski, Radisson) were branded, they serve chef cocktails based on Beluga vodka, as well as special gastronomic sets. In cooperation with key partners, customized bottles of Beluga Noble vodka (Beluga for Moskovsky bar, Beluga for GUM) were launched.

5-star hotels in various countries hosted Beluga branded Art Deco cabinets, and a number of luxury establishments worldwide organized designer Beluga showcases. Showcases were placed in most prominent shopping centers and caviar boutiques in London, Paris, Cannes and Monaco.

The first branded gastronomic space Beluga Caviar Bar was opened in the historical center of Moscow – at GUM. Noble Art Deco interior, exquisite menu, well-balanced cocktail menu, branded materials and elegant ambience are there to draw attention of Russian and foreign tourists, as well as residents of the capital



## MARKETING



to Beluga vodka, thus creating a unique experience of brand interaction.

In order to promote the brand image in the Duty Free network, elegant Art Deco branded zones Siberian Express were placed at airports of Cancun and Beirut, where promotions and tasting of Beluga vodka was held. In June 2015, a specially designed Beluga Transatlantic stand appeared at the airport of Dubai.

### Beluga participates in significant events around the world

In 2015, Beluga became a partner of a number of major cultural events in Russia and abroad, supporting the opening of Russia's and Europe's largest Center of Contemporary Art «Garage» and a number of major exhibitions organized by it, the international fair of contemporary art Cosmospow, gastronomic festival Omnivore, 56th Biennale of contemporary art in Venice, Dubai World Cup 2015 – one of the most prestigious horse riding competitions in the world.



In order to increase the brand awareness around the world and within the framework of building a super-premium image of Beluga, it successfully cooperates with the world's best performers and video directors to feature the brand in popular music videos. In 2015, the Beluga vodka cooperated with stars such as Jennifer Lopez, Akon, Jason Derullo, Rita Ora, Chris Brown, Pitbull, each of them gaining millions views of their videos worldwide. In a number of countries, integrated advertising campaigns were organized, including outdoor advertising and TV-placement, commercials in airports, premium press media and sales points; through the cooperation with the world's best resorts, hotels and nightclubs, the Beluga vodka supported their key seasonal activations and events.



### Cooperation with professional communities

The Beluga vodka has become an official spirits partner of EXPO-2015 in Milan, which was held from May to the end of October 2015. The brand also successfully presented its new products to the partners and industry players at major international trade shows – Bar Convent Berlin, TFWA World Exhibition, Monaco International Clubbing Show, where the popular Beluga stand was named the best among the participants. In 2015, barmen's competitions were organized in key European markets, long-term cooperation agreements were signed with well-known international barmen.

# MARKETING



## Myagkov Playboy

In 2015, the unprecedented project of MYAGKOV and the PLAYBOY was launched.

We chose 10 best covers of the iconic magazine from different countries since 1960, and remade them with Russian models. These remakes of legendary covers formed the basis of the unique design of the limited edition MYAGKOV PLAYBOY.

The preparation lasted about two years, which included negotiations with the right-owners, design development and its implementation. At different stages, 10 companies from several countries (Russia, Greece, Italy, the USA and Canada) participated in the project.

To select 10 best covers for «Myagkov», 500 covers of the legendary magazine since 1960 from all countries of presence were selected. For non-stop shooting of 10 remakes, the Moscow-based studio took 3 working days, which were attended by more than 20 stylists, makeup artists, photo and video operators and 1 truck of props.

The basis for a remake of internationally selected covers was models from Russia, similar to the original to the point of confusion, which gave the original picture a unique local charm.

Especially for this series a mobile application was developed - every consumer can now scan the QR code and see the backstage videos of the shooting process. Moreover, for each cover there is a legendary Myagkov-based cocktail recipe of the represented era. These cocktails will be available in restaurants/bars all over Russia, all the recipes are also available in the mobile application and on the website [myagkovvodka.com](http://myagkovvodka.com).

Sales channels of the limited series «Myagkov Playboy» were primarily federal and regional chains, as well as non-chain retail outlets.

The project was launched in November 2015 with the first shipment to X5 retail chains. Until the end of 2016 we plan to produce about 4 mln bottles. The project of such a scale was implemented in the international spirits market for the first time and is supported by a full-scale advertising campaign.

# MARKETING



## Belenkaya vodka

In 2015, promotion and support of the brand was done by means of advertising at football matches of Championships, games of Russia's leading clubs, Champions League, UEFA Europa League play-offs 2015/2016, and 2015 United Supercup, which were broadcasted on main TV channels (Channel 1, Russia 1, Russia 2, NTV). Each match attracted an estimated 40 million viewers.

In 2015, Belenkaya held a comprehensive advertising campaign – a large-scale advertising in retail outlets in the cities with a population over 1 mln. people. The campaign increased the brand awareness and created significant brand sales growth in Q4 2015.

As part of the export business, large-scale advertising campaign on central TV channels of Lithuania and Armenia are regularly conducted. In addition, outdoor advertising is also involved as the most effective and best-covering tool. Branded billboards are placed on the main streets of the capitals and major regional cities of Georgia and Latvia.



## Gosudarev Zakaz 5 years of growth

One of the leaders of the vodka economy segment is the brand «Gosudarev Zakaz» – in 2015 it once again demonstrated growth and reached sales volume of more than 1.6 mln deciliters. After restyling in 2011, Gosudarev Zakaz has demonstrated the annual growth, always ranking in the top seven leading brands in Russia.

In addition to the growing popularity of Gosudarev Zakaz among consumers, the other growth factors include a wide range of products, the increasing growth rate in the economy segment, and the expansion of distribution channels up to 85 000 outlets. In particular, in 2015 Gosudarev Zakaz vodka appeared in shops of all the federal chains of stores in Moscow and the Moscow region – the largest market in Russia.

In 2016 the sales growth of Gosudarev Zakaz-branded products is forecasted to continue and reach 1,9 mln deciliters, which would mean a doubling of sales since 2011.



## Usuri Tincture - Ginseng root and Honey access to the federal market

Usuri Tincture – Ginseng root and Honey is a new trend in the Company's portfolio. Its launch aims to create a unique niche of tinctures with additions in the premium segment and take a confident place on the shelves of key stores throughout the country. The product is produced at one of the oldest plants OJSC «Ussuriysky Balsam» and is unique in that each bottle contains a manually placed ginseng root. The main distribution channels will be retail chains and HORECA. Also, the new brand will be presented on the export markets. In the near future the portfolio will be expanded with new launches in this category.

# 6

## DISTRIBUTION AND IMPORT



### Distribution

Synergy group of companies performs the sales through one of the most branched distribution networks in Russia. Distribution network consists of several complementary channels: direct sales including own retail outlets and sales through independent distributors. Today the team that performs sales has 3,600 people. The Company's distribution network geography is divided into two parts: West and East. In those regions where distilleries are located, Synergy exploits its own sales personnel, warehouses and its own transportation fleet to deliver the product directly to retail outlets.

Implementing the distribution network expansion the Company considerably increased promotion and sales personnel. Each key brand occupied a special place on shop shelves after Synergy had developed and approved its own standards of merchandising. In this connection the main aim of the Company's trade representatives and merchandisers became the corresponding product placement on shop shelves.

Synergy is the only spirit Company in Russia where the merchandiser staff has 500 people and which 4 years ago launched a special system, allowing the Company to track the accomplishment of the plan and optimize the effectiveness of allocation of own forces. Nowadays the sales are accompanied by trade marketing program implementation, in particular by motivation campaigns for partners and advertising material distribution in sale outlets.

For instance, the program aimed at trade outlets motivation to exhibit the full assortment of Synergy on the best place is called A Gold Shelf. 10,000 retail outlets are involved in this campaign monthly. Every employee involved in sales of the Company's trademarks should understand the value of brands, in order to achieve this there are 15 professional trainers in the Company's personnel.

Every day the trainers organize master classes and put the information on unique brands across. Apart from the work with own personnel the Company reinforces its positions among barmen, waiters and waitresses, and restaurateurs: 20 brand ambassadors work for them.

Synergy Import continues its active development in 2015, specializing on the import of premium alcohol in Russia. The portfolio of Synergy Import consists of carefully selected leading brands of alcohol of the most popular categories of whiskey, cognac, brandy and liqueur, wine and absinthe.

The portfolio of Synergy Import includes 28 brands of spirits from

# DISTRIBUTION AND IMPORT



12 key suppliers of the global spirits market, 70 wine suppliers from 11 wineries around the world. The import share in the revenue of Synergy spirits segment is 13%.

Undisputed leaders of sales by the end of 2015 are William Grant & Sons brands: Grant's, Glenfiddich, Balvenie. The brand with a long history – the French Cognac CAMUS – has retained reliable positions. Excellent sales results were demonstrated by the new brand – Dominican rum Ron Barcelo.

Since May 2015, Synergy Import started sales of the world's No.1 brandy – Torres. In July 2015, Synergy became an exclusive importer of XENTA absinthe, the leader of the absinthe category in the Russian Federation.



Also in 2015 a contract was signed with the Sazerac brand, start of sales of bourbons Buffalo Trace and Benchmark is scheduled for June 2016, and at the end of 2016 start of sales of the brand Fireball is planned.

We should also mention the success of Synergy Import in the development of wine business:



- since the beginning of the project (September 2014), the sales of imported wines have increased significantly, and in 2016 the company plans to double the sales volume;
- the portfolio of global brands from large wineries was formed: ConoSur (Chile), PASQUA (Italy), Murviedro (Spain), Les Grands Chais de France (France), Fratelli Martini (Italy), Distell (South Africa);
- contracts with major wine suppliers from the New World were signed: Gruppo Peniaflor (Argentina), BERTON Vineyard (Australia), a wide range of premium wines for direct on-trade sales channel «Noble House» was selected;
- an individual approach to sales and promotion of the wine range was developed, a separate sales and marketing team was created for the development of the wine business.

# GRANT'S

The history of **Grant's** started thanks to William Grant far back in 1898 when he made his first blend. It is the oldest family blend in Scotland. 110 years later Grant's whisky is still produced using traditional technologies that are cherished and handed over from generation to generation. The flavorful and balanced taste of all products in Grant's line is achieved thanks to production on the base of grain whisky Girvan. This whisky undergoes vacuum distillation under the conditions of relatively low temperatures that contributes to keeping the sophisticated hints in the end product.

**Grant's Family Reserve.** Thanks to delicate malt notes Speyside style is recognized unmistakably. One can distinguish subtle oak and smoke notes, as well as sweet fruity aroma.

**Grant's Ale Cask Finish.** Ageing in former ale barrels gives the whiskey tender creme brulee flavor and silky malt notes.

**Grant's Sherry Cask.** Maturing the whiskey in hand-made sherry barrels gives warm spicy notes, sherry earthy tones and dried fruit shades.

**Grant's Aged 8 Years Old.** Aged for 8 years in oak barrels, the blend has sweet fruity Speyside-like aroma with bright malt notes.

**Grant's Aged 12 Years Old** is the mixture of best single malt and grain blends aged for at least 12 years. After the 'marriage' the blend is further aged in barrels from American whiskey. As a result, we have a scotch sort with incredibly rich and smooth taste.

**Grant's Aged 25 Years Old.** To create this elegant, sophisticated, incredibly aromatic beverage, the Blend Master, Brian Kinsman, uses whiskey aged in oak sherry and bourbon barrels for at least 25 years. The ready blend undergoes additional ageing during several months to give the beverage luxurious, fragrant, yet elegant style. Some of the whiskeys of the Grant's 25 Years Old line are no longer manufactured and thus unique in its kind.

# GRANT'S



# GLENFIDDICH

William Grant & Sons founder has forever changed the history of scotch. Even 125 years later, **Glenfiddich** is the most titled single malt Scotch whisky in the world.

**Glenfiddich 12 Years Old** is a whisky with light fruity aroma, with subtle hints of young pear and oak. It is achieved thanks to vatting in barrels previously containing Oloroso sherry or bourbon and to the purest water from Robbie Dubh spring.

**Glenfiddich Rich Oak 14 Years Old** is filled with spicy oak and vanilla tones acquired as a result of vatting in new previously not used barrels made of Spanish and American oak.

**Glenfiddich 15 Years Old** is a single-malt whisky with a rich bright honey spicy flavor. It is vatted in three different types of oak barrels: previously containing sherry, bourbon and in barrels made of new oak.

**Glenfiddich 18 Years Old** is a single-malt whisky with a mild and rich flavor, it is vatted in barrels previously containing sherry or bourbon, this whisky is extra vatted for another three months in oak vats until the «marriage» of spirits occurs.

**Glenfiddich 19 Years Old Age of Discovery** has a versatile taste with ripe fig hints, baked fruit, cinnamon and black pepper. This whisky is extra vatted in barrels previously containing Madeira. Glenfiddich Malt Master Edition is the first whisky that undergoes 'double ageing' in two different types of oak barrels: traditional and sherry.

**Glenfiddich Cask of Dreams.** For the first time scotch is extra vatted in barrels made of Russia oak. The taste is bright, tannins and sweet-oaky. The main emphasis is bitterness of heather honey.

**Glenfiddich 21 Years Old Gran Reserva.** Glenfiddich 21 Years Old Gran Reserva is vatted in oak barrels made of American oak for 21 years, that give the soft and flavourful taste. Extra-ageing in barrels previously containing the Caribbean rum gives this drink some sweet hints of toffee, fig and vanilla.

**Glenfiddich 26 Years Old Excellence** is the first single-malt whiskey which is vatted for 26 years exclusively in oak barrels made of American oak. It has a soft and delicate aroma with floral undertones.

**Glenfiddich 30 Years Old.** **Glenfiddich 30 Years Old** is made according to exceptional old supply from distillery. The taste is flavorful and harmonious, once tasting its plum hints with some ripe banana, it is impossible to forget it.

**Glenfiddich 40 Years Old** is an exclusive position that is produced annually – no more than 600 bottles. It has a luxury, silken and tender taste.

**Glenfiddich 50 Years Old** is vatted in two sherry barrels – one of which is a little older than 50 years old. The whisky has kept all the freshness, fruit hints and acquired an unusual birch bark flavor.

# GLENFIDDICH



# THE BALVENIE

**The Balvenie** is a unique selection single malt Scotch whisky, created by the master of distillery David Stewart. Each type of this whisky has its unique flavor: rich, soft, with bright hints of honey, unique for The Balvenie. The collection consists of eight tastes of single malt whisky.

**The Balvenie DoubleWood 12 Years Old.** The Balvenie DoubleWood 12 Years Old spends many years in traditional oak barrels and afterwards in the final stage it is put into a barrel, where previously Oloroso sherry was kept.

**The Balvenie Caribbean Barrel 14 Years Old** is vatted in oak barrels previously containing bourbon and then it is extra vatted for several months in barrels previously containing Caribbean rum.

**The Balvenie Single Barrel 15 Years Old** is vatted in one barrel previously containing bourbon. The number of such a barrel can be found on each bottle.

**The Balvenie Double Wood 17 Years Old.** The Balvenie Double Wood 17 Years Old is a whisky that first aged in a barrel made of American oak previously containing bourbon (it added some sweet hints of vanilla) and then was put into sherry barrels made of European oak.

**The Balvenie Peated Barrel 17 Years Old** is vatted in barrels of peated sorts of the Balvenie as well as in new barrels made of American oak.

**The Balvenie PortWood 21 Years Old.** In order to produce this whisky the blend of rare sorts the Balvenie is extra vatted in barrels previously containing branded sorts of port wine.

**The Balvenie TUN 1401 batch 5.** For this series of whisky the master chose special old American and sherry barrels, their year of 'birth' which varies from 1966 to 1991. The whisky from those barrels blend and age in a tremendous 'marriage' Tun 1401.

**The Balvenie Thirty 30 Years Old** is a rare and truly peculiar single malt whisky, for which David Stewart selects only the best barrels that are often older than 30 years old.

**The Balvenie Forty 40 Years Old.** In order to produce each of these drink batches that consists of only 150 bottles, David Stewart carefully selected and then blended whisky from the rarest barrels kept at the distillery.

The Balvenie Fifty is vatted in an oak barrel made from European oak previously containing sherry and is presented in a glass bottle manually blown that is kept in a wooden case.

**Kininvie 23 years.** Everyone knows about distillery Kininvie, as its alcohols are part of the special blend of Monkey Shoulder whiskey, but nobody ever tried its single malt variation. Now all the whiskey lovers in search of something unknown and new, with rich history and exclusive on the market, have a really decent offer. Kininvie is the whiskey they are looking for, because it was born in a secret distillery.

# THE BALVENIE



# MONKEY SHOULDER

Scottish triple malt whiskey **Monkey Shoulder** is made by mixing single malt alcohols from three best plants of Speyside. It is an original brand in the world of whisky, where cherishing traditions are considered to be the norm. Despite its modern daring style, it is produced following inviolable laws of the production of genuine Scotch drink.

The master of the malt distillery personally selects no more than 27 casks of three types of single-malt whisky, «marries» them in a special tun and then leaves them there for several months. Then he puts the scotch into barrels from 1st bourbon, where it acquires its individual taste and aroma. Delicate floral notes are mixed with the scent of fresh oranges and delicate peaches. Shades of honey and spices make their way through the rich vanilla sweetness. Monkey Shoulder is «the most wanted Scotch whiskey in the world's best bars» as described by the Drinks international magazine.



# TORRES

Brandy with history and heritage from the region of El Penedès (Barcelona). Back in 1928 Don Juan **Torres** Casals, the second generation of the Torres Family, decided to start selling soft and fragrant distillate of the finest white wines, that the family began producing in 1870. Torres brandy always follows the traditional method of «Brandy-del-Penedès», selecting best wines to ensure the highest quality of the product. The beverage is kept exclusively in oak barrels, usually from American or French wood, using the Solera process. Due to careful attitude to the legacy and strictly controlled manufacturing process, Torres brandy rightfully earned the trust of consumers, who appreciate the history and the tradition of the brand.

Nowadays Torres is the best-selling imported Spanish brandy brand, which was numerously awarded at the most prestigious competitions in the spirits market.



# CLAN MACGREGOR

High-quality Scotch whiskey **Clan MacGregor**, which is enjoyed in over 30 countries around the world, proudly carries its symbol and the slogan, along with the personal sign of the 24th head of the MacGregor clan, Sir Malcolm MacGregor. The founder of the Clan is considered Gregor, the third son of Alpine, who was the king of Scotland in the 8th century AD. Due to this connection with the king, the clan received the motto «Royal is my race». The MacGregor Clan managed to overcome long years of struggle and exile, their lands were confiscated more than once, they were even outlawed. But they kept fighting and never gave up, and in the end all their privileges and rights were returned to them. Today Clan MacGregor is one of the most popular blends in the UK. It is skillfully produced from selected malt and grain Scotch whiskeys. Clan MacGregor is distinguished by fruit tones, characteristic of the typical varieties of whiskey from Speyside valley. This is a light fresh whiskey with a well-balanced mild flavor, for which it is so appreciated by the connoisseurs.



## SAILOR JERRY

**Sailor Jerry** is a real spicy Caribbean rum with 40% alcohol. Its base is the best Caribbean rums that blending masters «marry» using the detailed recipes and then add a unique mix of spices and other natural flavors, the most striking of which are vanilla and cinnamon. The result is a stunning, high-quality, old-school Caribbean rum with spices. Timeless classic!



# TULLAMORE D.E.W.

Irish blended whiskey **Tullamore D.E.W.** – is the premium blended Irish whiskey with a soft harmonious taste. For its production three kinds of whiskey are used: the so-called "whisky of distilling tank", grain and single-malt whiskey. After creating a blend, the whiskey is aged in special oak barrels to give it even greater softness and make it appropriate for any future occasion, be it a meeting with friends or dinner with the family. You can enjoy Tullamore D.E.W. both in pure form and with ice, soda, or lime. Tullamore D.E.W. line apart from the blend of standard ageing has another two products: single malt whiskey **Tullamore D.E.W. 10 Years Old** and blended **Tullamore D.E.W. 12 Years Old**. Tullamore D.E.W. 10 Years Old is vatted for 10 years in barrels previously containing bourbon, Oloroso sherry, port wine and Madeira. This is the only Irish single-malt whiskey that is brought to perfection in four different types of barrels. These specially selected barrels enrich and make the aroma of the drink stronger as a result it acquires a splendid complex and flavorful taste.

**Tullamore D.E.W. 12 Years Old** is a blended Irish whiskey created from carefully selected barrels of 12- and 15-year-old ageing. The drink acquires its perfection thanks to triple distillation, crystal-clear water, selected barley and ageing in barrels previously containing bourbon and Oloroso sherry.

# TULLAMORE D.E.W.



# MILAGRO

**Tequila Milagro** is more than just tequila. It is produced from 100% blue agave, the raw material that is grown on own plantations, harvested by hand and is roasted in clay ovens. Triple distillation in small batches creates a drink with a slight aroma and soft taste. Reposado and Anejo sorts age in oak barrels longer than it is accepted in the industry. Premium bottles are blown according to a unique technology and are processed manually. The collection consists of 6 tastes:

**Milagro Silver** has hints of blue agave as well as vegetable and citrus hints, and a spicy aftertaste.

**Milagro Reposado** has hints of blue agave with subtle flavor of caramel and toast, and a spicy aftertaste.

**Milagro anejo** has caramel and coconut with chocolate, tobacco and banana notes, and a little sweet spicy aftertaste.

**Milagro Select Barrel Reserve Silver** has a bright taste of blue agave and vanilla hints, and a dry spicy aftertaste.

**Milagro select barrel reserve reposado** is pure with vanilla, black pepper and cinnamon hints, and a dry aftertaste.

**Milagro select barrel reserve anejo** has the flavor of not sweet chocolate, tobacco leaves, toffee with bright oak hints, and a dry aftertaste.

# MILAGRO



# HENDRICK'S

**Premium Scotch Gin Hendrick's** is the gin that is produced in an unusual way with the addition of non-standard ingredients which give it an original flavor and aroma – extracts from the petals of Bulgarian rose and fresh cucumber. Hendrick's is especially valuable because the main eleven ingredients (the so-called botanicals, the combination of which gives this drink its unique character) are delivered from different corners of the planet.

Surprisingly rich and intriguing blend of plants, with dominant aromas of rose and cucumber. The unique combination of different ingredients of Hendrick's is produced in Scotland using only pure water from the local natural springs.



# DRAMBUIE

Legendary whiskey-based liqueur. Full-taste strong (40%) Drambuie liqueur is a unique blend of whiskeys from Speyside and Highland, known for its soft taste, and the secret extract of herbs, spices and heather honey. The legendary whiskey-based liqueur, historically associated with the emergence of the cocktails era in the 1960 in the USA.



# CAMUS

Founded in 1863, CAMUS is a family company-owned company and it owns a unique portfolio of premium alcoholic beverages, which are popular all over the world. Today Camus products are sold in almost all the countries of the world, at international airports and on board of major airlines. CAMUS represents the history of the cognac house, which belongs to five generations of the same family since 1863 and owns exclusive skills of creating outstanding cognacs with unique elegant style, transferred carefully from father to son.

Passionate devotion to the business is still there today thanks to the current owner of the company Cyrille Camus. Being loyal to his heritage, he preserves the independence of Camus and is the inspirer of what we call a Living Tradition. The company creates cognacs of some unique style, they can satisfy the taste of the most demanding connoisseur of this noble drink.

The hallmark of the Cognac house is spirits from the most valuable vineyards of the Camus family in Borderies. CAMUS is one of the largest landowners in Borderies cru – the rarest of the six cognac appellation regions – known for its high aromatic potential of cognac alcohols.

Borderies cognacs alcohols have fine exquisite aroma and are often added to classical blends, although the solo cognac is also excellent, thanks to their bright floral notes, aromatic expression, hints of spice and sweet pastries, as well as high ageing potential.

While constantly searching for new tastes, CAMUS discovered vineyards of Ile de Re for cognac lovers, which allowed it to create a series of exclusive island cognacs. Ile de Re is located in the western part of the cognac appellation. The line of CAMUS island cognacs has the unique character of alcohols with bright sea influence, rich with fresh mineral notes.

Elegance is the main feature of CAMUS cognacs, and CAMUS VS ELEGANCE embodies the vitality of youth in the fresh and bright cognac.

SAMUS VSOP ELEGANCE owes its excellent taste to the blend of wines, distilled on the dregs.

CAMUS XO ELEGANCE requires many years of patient and laborious work, it is a perfect blend of fresh fruity aromas of the vine, which develop and mature during the masterly organized ageing process.

EXTRA ELEGANCE is a complex, velvety blend of old brandy spirits, mostly from Borderies, Grande Champagne and Petite Champagne, perfectly balanced and aged, which further on highlights and reveals the dignity of each of them.

# CAMUS



# BERNEROY

Calvados **Berneroy** is one of the best samples of the unique beverage with the aroma of apple and old oak, produced in the famous province of Normandy, France, for at least five centuries. It is produced from carefully selected best varieties of apples. A single distillation provides for high concentration of aromatic compounds and gives the alcohols natural apple flavor. Ageing in oak barrels of delicate roasting creates the necessary balance of tannin and rich aroma.



# BERNEROY



# RON BARCELO

**Ron Barcelo** is a high-quality rum from cane sugar produced in the Dominican Republic, province San Pedro de Macoris. This area is famous for its ideal conditions for rum ageing: stable temperature (30 degrees Celsius) and humidity of 90%. A year's ageing here equals four year ageing in cooler regions! During the ageing period in American oak barrels, the product takes in rich amber color, unique flavor and memorable taste. A recognition token of exceptional quality of Barcelo is the fact that the Swiss chocolate company Lindt chose Ron Barcelo Gran Anejo 500 for its new praline filling – from over 500 rum sorts in the market.



# RON BARCELÓ



# XENTA

The leader of the absinthe category in Russia. **Xenta** is an absinthe for true connoisseurs: a genuine recipe of the 19th century is used for its production, whereas wormwood (*Artemisia Absinthium*) and many other herbs are long drawn, the resulting extract is thoroughly filtered to obtain a special extraordinarily transparent emerald color, unique to Xenta absinthe.

Xenta distilled is a distillate of three main components of the traditional absinthe: wormwood, star anise and coriander. Triple distillation, slow gentle filtration and water from alpine glaciers make this beverage the quintessence of the absinthe's key components - crystal clear color, strong and marked character, and unexpectedly mild taste.

Xenta Superior is an absinthe of the super-premium class, designed specifically for true connoisseurs. For the production of this masterpiece, only the top leaves of the bitter wormwood (*artemisia absinthium*) are used, which are picked only in July and August. Special filtration technology keeps the aromatic properties of wormwood and gives the beverage a distinctive dark green color and noble bitterness. The stylish bottle with a sprig of wormwood completes the image of Xenta Superior, making it a collector's sample, which can also be an original and sophisticated gift.



# AMARULA

**Amarula Cream** is a unique African product. This cream liqueur is based on wild Marula tree fruit that grow exclusively in subequatorial African plains, and is one of the world's best known symbols of South Africa.

Young beverage undergoes ageing in oak barrels during two years and is then mixed to obtain smooth consistency with the freshest liqueur. This manufacturing process meets the highest standards which results into rich and soft cream product. Fragrant and exceptionally tender taste of the Amarula Cream liqueur can be enjoyed in its pure form, as on-the-rock or blended in cocktails.



# THE GIRVAN

Grain whisky **Girvan** is a taste that fully reflects our heritage of the whiskey pioneers. This is a rare alcohol: rich in vanilla, honey and hints of caramelized fruit.

**The Girvan Patent Still No.4** apps is available in an exquisite white box – a modern take on the premium whiskey packaging.

**The Girvan Patent Still 25 years.** Masterly distillation catalyzes essential fruity notes in our alcohol, creating flavors of citrus, vanilla, cream, roasted autumn fruit and caramelized apples, plums and pears. And ageing in oak barrels adds the character and makes our whiskey delightfully different!



## RIGA BLACK BALSAM

LATVIJAS BALZAMS was founded in Riga more than 100 years ago and is a leading producer of spirit beverages in the Baltics. LATVIJAS BALZAMS operates two distilleries producing more than 70 million bottles per year. The main trademark of LATVIJAS BALZAMS is **Riga Black Balsam**, it is a legendary bitter (herbal liqueur) that has been produced since 1752 and it is one of the oldest drinks. The line Riga Black Balsam is presented by three tastes: classical bitter, with the taste of black currant and balsam with rum.



**Riga Black** is classical but at the same time its contemporary bitter-sweet taste combines different palatable nuances. Some people will find in its taste a mellow hint of lime blossom, raspberry, bilberry, while the others will taste honey with savory nuance of ginger, nutmeg or oak.

**Riga Black Balsam Black Currant.** The taste of this mellow and sophisticated spirit beverage keeps its bouquet till the impressive exquisite ending, the first currant note with pleasant balsam hints will quickly make you hot.

**Riga Black Balsam Element** is a special composition of tastes that is based on original ingredients of Riga Black with some addition of high quality rum.

# WINE



## LES GRANDS CHAIS DE FRANCE (FRANCE)

Les Grands Chais de France has been the largest exporter of wines from France since 1979 (the company's wines are sold in more than 250 countries around the world). The company is highly market-oriented, which is reflected in the approach to the creation of new products, their sales and promotion. Les Grands Chais de France aims to make wine for a wide range of ordinary consumers, and not for professional tasters. The main mission of the company is the production of top quality wines for the mass market that undergoes strict quality control.

Product lines: Baron de Rothberg, Prestigium.



## VEUVE AMBAL (FRANCE, BURGUNDY)

Wine house VEUVE AMBAL (French for «Ambal Widow») is one of the most famous French manufacturers of high-quality sparkling wines and «Cremant de Bourgogne». VEUVE AMBAL products gained international recognition and is represented today in many chain stores in Europe and in the world, such as: Auchan, Metro C&C, Leclerc, Carrefour and others.

At the moment VEUVE AMBAL owns 6 wine estates in different parts of Burgundy and is the largest owner of vineyards in Burgundy (250 ha). VEUVE AMBAL wine house also owns RIVAROSE farm in Provence.



## MAILLY GRAND CRU (FRANCE, CHAMPAGNE)

Maily Grand Cru is the only House in Champagne producing wine on the principle of Grand Cru Classé Bordeaux. All the sparkling wines are produced from grapes harvested only from their own Grand Cru vineyards. Vineyards Maily Grand Cru cover 70 ha, where Pinot Noir (75%) and Chardonnay (25%) are grown. Fertile terroir gives finesse and elegance to the wines, that are so highly appreciated by lovers of this luxury beverage. Currently Maily sparkling wines are popular and demanded not only in French network stores and restaurants, but also actively exported to 35 countries, bringing perfection of Champagne Maily to the most distant corners of the world.

## PASQUA (ITALY, VENETO)

Pasqua is a family-owned company, which was founded in 1925. The owner of the company is the Pasqua family, represented by its third generation of winemakers. The brand with more than 80-year history. Innovative technologies, modern production and ageing facility of Pasqua ensure production of wines of excellent

# WINE



quality. To date Pasqua produces 13.8 mln bottles of wine per year and owns 139 ha of vineyards in the most prestigious areas of the Veneto region: Bardolino, Soave, Valpolicella.

Product lines: Colori di Italia; Black label

## FRATELLI MARTINI (ITALY, PIEDMONT)

In 1947, in the north of Italy, in the wine region of Piedmont, Langhe zone, brothers Secondo and Luigi Martini founded the wine company «Fratelli Martini Secondo Luigi SPA». Today Fratelli Martini Secondo Luigi SPA is the largest family-owned producer of wines in Italy. The total vineyard area is 285 ha, which allows to produce about 50.0 mln bottles of wine per year.

The first line of wines Fratelli Martini Secondo Luigi was named Casa SantOrsola after the church, which was located on the farm, where brothers Secondo Luigi Martini were born.

The range of wines: Marchesini.



## MONTELVINI (ITALY, VENETO)

Vineyards in Montelvini are located in Venegazzu, in the heart of the Veneto region, in north-eastern Italy. The owner of the company is the Serena family, who has been producing wine for generations since 1882. Headed by Armando Serena, the Montelvini farm significantly expanded and became a modern successful company that skillfully combines high technologies with the best winemaking traditions. Montelvini wines have unique style, blending innovations and dynamism with respect for traditions and commitment to quality.



## MIRAFIORE (ITALY, PIEDMONT)

The history of the Mirafiore house located in the famous wine region of Barolo began in 1878.

Today, the company's experienced oenologists produce some of the most popular and high-quality wines in Barolo – a line of six exquisite, original and high-quality Mirafiore wines, all sophisticated, elegant and memorable. These wines express two basic concepts of the company's business: eco-compatibility and the «green philosophy». Packaging for wine consists of 85% recycled glass, and labels are made of natural dyes. All this are external positive changes, while the internal content, i.e. the wine itself, remains the same – original and surprisingly delicious wine of the old Piedmont.

# WINE



## PELISSERO (ITALY, PIEDMONT)

Pelissero is a family-owned winery, which has been cultivating vines for generations in the heart of Barbaresco. Today the firm is managed by Giorgio Pelissero, an experienced oenologist, actively engaged in raising the quality of wine and the expansion of the company's estates, which make up 38 ha of land now. The winery is located in Treiso area at the top of a picturesque hill. Pelissero produces annually about 100,000 bottles of premium wine that have gained sincere affection of wine critics and specialized wine magazines (especially the American publisher Wine Spectator).



## CASTELLO DI QUERCETO (ITALY, TOSCANA)

The estate Castello di Querceto is located among green hills at the altitude of 470 meters above the sea level. The total area of the estate is about 1900 hectares. There are a bottling shop and four cellars in the territory of the castle, which cover different stages of wine production from fermentation to ageing. The biggest share in the production of Castello di Querceto is taken by wines Chianti and Chianti Classico Riserva, while the best-known wine of the Querceto house is the supertuscan wine Chinyale with an image of the Tuscan wild boar on the label.



## BODEGAS MURVIEDRO (SPAIN, VALENCIA)

Bodegas Murviedro company founded in 1927 represents the brand Gran Castillo.

Bodegas Murviedro produces 35 million bottles a year and is one of the most important wineries in the Valencia region. The Gran Castillo brand is in the top 3 of the best-selling wine brands in the Baltics and in the top 10 of the best-selling brands in 23 countries around the world.

## CONO SUR (ЧИЛИ)

Cono Sur company was founded in 1993. The winery is located in the city of Chimbarongo in the Colchagua Valley. The company owns 1,600 ha of vineyards from Limar Valley to Bio-Bio (21 vineyards, 19 varieties).

The logo of Cono Sur is the geographical silhouette of South America. For the first 5 years, Cono Sur wines received more than 150 medals and awards at the most prestigious international competitions. Cono Sur is served in top airlines: Lufthansa, British Airways, KLM, Virgin, American Airlines, Finnair and others.

The ConoSur brand is in the top 10 of the most famous wine brands in the world.

# WINE



Product lines: Tocornal, Bicicleta, Reserva Especial, Single Vineyard, 20 Barrels Limited Edition, Silencio.

## DISTELL (SOUTH AFRICA)

Obikwa is a brand of Distell company. Obikwa wines appeared in the international market in 2002 and are now represented in 43 countries around the world.

The wines were named after the obikwa peoples, who inhabited the South Africa centuries ago, and the character of the wines fully reflects these peoples. The symbol of Obikwa wine line is an ostrich, symbolizing the closeness to the nature and attentive attitude of the company to the environment. Obikwa is one of the first South African bio wines, which is bottled in ultra-light bottles of 350 grams (25% less than the weight of a standard 750 ml bottle).



## BERTON VINEYARD (AUSTRALIA)

Since 2005, Berton has been one of 20 major wineries in Australia and is one of 17 best-selling brands in the world. Berton wines receive a lot of awards both domestically and internationally (International Wine Challenge). The Berton winery received 4 stars out of 5 from Australian wine critic James Halliday. The Burton winery also received an international SFQ certificate (Sale Quality Food) 2000 Level 3. The total number of produced wines is about 1 mln bottles.



## MARKUS MOLITOR (GERMANY, MOSEL)

The owner of the winery is Markus Molitor, who inherited the business in the 80s of the last century, including the largest farm in the Middle Mosel region, with a total area of 38 ha. The vineyards owned by the Molitor family are unique: they are planted on steep slopes from Brauneberg to Traben-Trarbach and the Saar River. Today, Markus Molitor wines are the most valued wines of Germany. Famous wine critic Robert Parker rated Pinot Noir from Markus Molitor with 100 points similar to the greatest Grand Cru Classé from Bordeaux.



## PRODUCTION



Synergy Group operates 6 distilleries that are according to the strategic Company's interests located in the largest federal districts including Central, Far Eastern, North-Western, Volga and Siberian. The number of distilleries and their geographic diversification provide the Company with additional savings in matters of logistics and also reduction of technological risks in production activities. It also facilitates aversion of other operational risks which some companies having only one production facility experience at times. All 6 distilleries operate advanced German and Italian equipment with more than 15 million deciliters of total capacity.

### Our Distilleries

Production programs of all distilleries include production of the full range of national and local brands. The only exceptions are Beluga and Veda brands which are produced exclusively at the Mariinsky Distillery in Siberia. Synergy distilleries are an important component of the Group's distribution system: they are widely used as large logistic centres in their respective regions.

**K.**

**Traditsii Kachestva Distillery**, is one of the largest distilleries that produce strong spirit beverages in Russia, it is located in Krasnoznamensk town, Moscow region. The distillery was founded in 1997 and joined the Group in 2007. In 2009 the distillery became one of the top ten largest distilleries in terms of production volumes. The distillery operates advanced Italian equipment. The distillery operates as a large logistic and production center producing all national vodka brands of the Group throughout the whole western part of Russia up to Ural border.

**A.**

**Arkhangelsk Distillery** was founded in 1899 and is now the largest distillery in Arkhangelsk region. The distillery was acquired by Synergy in 2004 and is one of the leading strong spirit beverage producers in the region. The distillery operates advanced high-performance German and Italian equipment.

## PRODUCTION



**URALALKO Perm Distillery** is the leading strong spirit beverage producer, that is top 50 of the largest plants in the region. It joined Synergy in 2003.

The distillery commenced its activities in 1968 and specialized initially in grape wine production and sales. The distillery operates advanced German and Italian equipment. Besides, URALALKO functions as the distribution center for the Company products representing all national vodka brands of the Group in the Ural region of Russia.



**Ussuriysky Balsam** has been the leading factory in the spirit industry of the Primorsky Territory for more than 100 years. The distillery joined Synergy in 2002. It was founded in 1894 by Mikhail Pyankov, the merchant. The factory operates both as production and distribution center and presents all national vodka brands of the Company in the Far East of Russia.



**Mariinsky Distillery** in Kemerovo Region is one of the leading distilleries in Russia. The factory has been in operation since 1900 and it functions as the logistic center performing production and distribution of the whole range of the Company products in Siberia. The distillery joined Synergy in 2006.



**Khabarovsk Distillery**, founded in 1881, is the largest distillery in the Far East. The distillery joined Synergy in 2005.

# 8

## EXPORT OPERATIONS



In 2015 Synergy continued to strengthen its export network which amounts to over 70 countries in the world. The Company ranks among the top three of the largest exporters of Russian vodka. Synergy is still the only company in Russia that successfully exports vodka of super-premium segment.

The super-premium segment is the most stable growing vodka segment, for the last year it grew by 9%. It is worth mentioning that Beluga vodka ranks among Top 5 super-premium vodka brands in the world. Many macro regions showed growth in shipments of the brand. In the Middle East, the sales increased by 87% and amounted to more than 10% of Beluga export sales.



The top five leading countries in sales of super-premium vodka Beluga are still Germany, Italy, the Baltic countries, Vietnam and Azerbaijan.

The leader in Western Europe in 2015 is Italy, where Beluga sales more than doubled. Success in the market is due to the growth of the brand awareness, particularly among the barmen community. Participation in Milan Expo 2015, where Beluga was one of the main sponsors of the Russian pavilion, significantly supported sales and the brand image. The German market demonstrated the growth of 30%. Quality work of the local ambassador brand and the distributor team increased representation of Beluga vodka in the northern part of the country.



In 2015, Belenkaya brand started shipments in several countries of Eastern Europe. At the moment the Synergy portfolio is represented in all retail chains in Bulgaria. Also, successful agreements on the implementation of an ambitious brand project in Romania for 2016 were achieved.

The sales increase significantly in a number of Middle Eastern countries, such as Iraq and the UAE. Due to the development of border trade between Iraq and Iran, we managed to significantly increase shipment volumes. Extensive marketing support and the HORECA channel in the UAE market brought impressive results.

Sales in Latin America have been activated. In 2015, Beluga made first shipments to Uruguay, its product is in the final stage of certification in the territory of Costa Rica and Guatemala. By mid-2016, it is planned to finalize this procedure in Cuba, Colombia, and Venezuela. Active cooperation with Mexico's best hotels has increased Beluga distribution on this market with large capacity.

Agreements on shipments of «Russian Ice», «Rzhanoy kolos» and «White Lake» to the largest store chain in Brazil Pao de Açúcar have been reached.

The year of 2015 marked development and strengthening of sales

# EXPORT OPERATIONS



through Duty Free channel, which covers over 170 directions in Russia and abroad.

The total sales growth in the top 30 airports in the world, where Beluga is sold, is 7%. Whereas in most airports outside of Russia and the CIS, it is a double-digit growth. Synergy continues active development in this direction by introducing intensive training for Duty Free representatives.

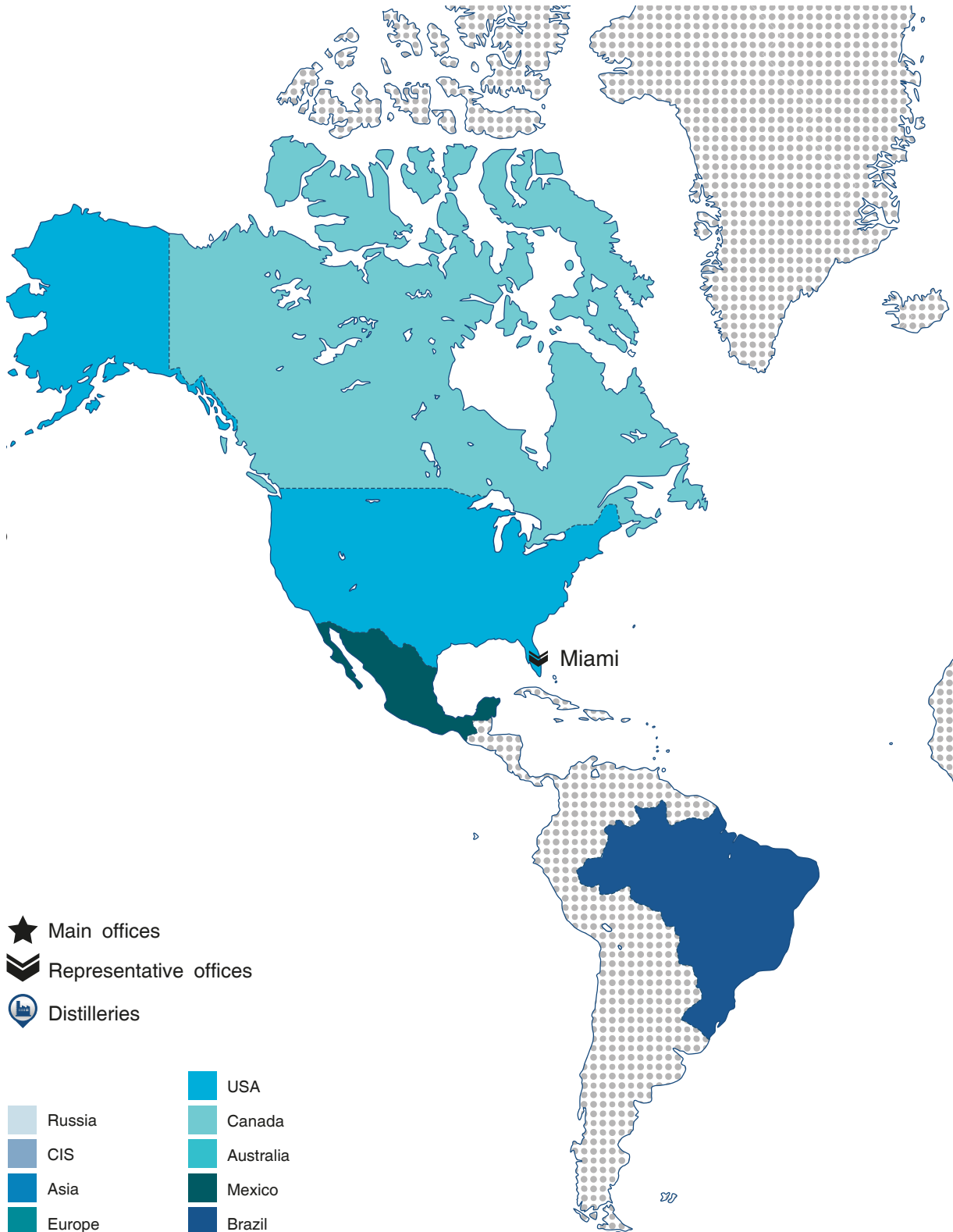


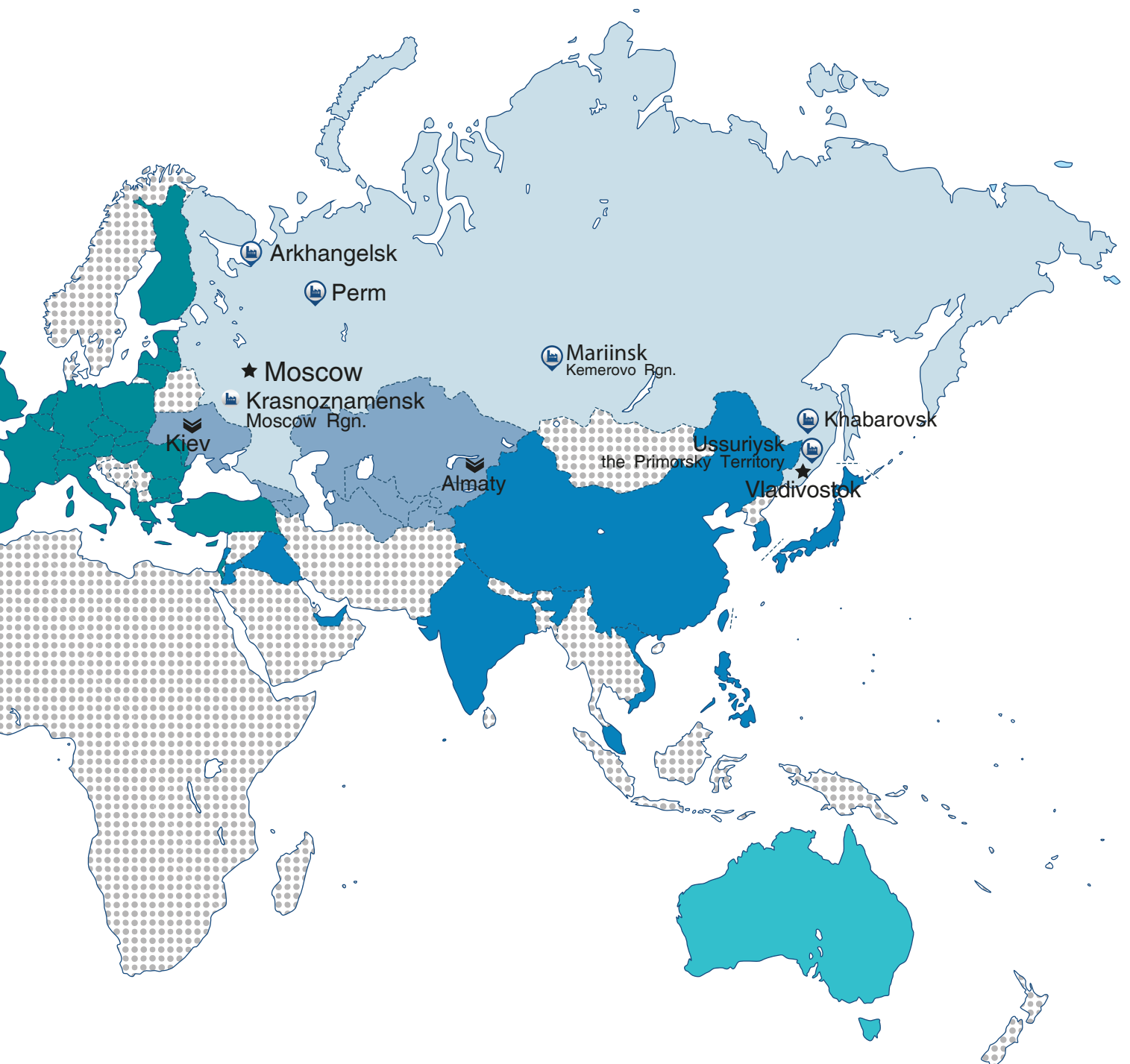
One of the main results for 2015 was new listings in 30 airports of the largest cities around the world, including Tallinn, Hanoi, Seoul, Sao Paulo and others. During the last year a lot of successful promotion campaigns with the use of brand decorations and promotion staff in the biggest shops of Duty Free were held.

In 2015, Synergy signed contracts with new potential partners in a number of key countries: Turkey, China, Israel, UK, France, South Africa, Romania, Denmark and others.



# GEOGRAPHY AND DISTRIBUTION





- Our products are sold in over 70 countries of the world.
- The Company operates 6 distilleries.
- 2 offices: in Moscow and Vladivostok.
- 3 representative offices: in Kiev, Almaty and Miami.

## PENTAGRO GROUP

### FOODSTUFF



The Company owns and operates agricultural and food business enterprises, carrying out the production, marketing and sales of crops, poultry meat, dairy and meat products in Russia. In 2009, all the assets of this business were separated from the spirits business of the Company and consolidated into a separate company – JSC PentAgro which is a 100% owned subsidiary of PJSC Synergy. PentAgro member companies have leading market positions in the regions of their presence. Marketing and sales of food products are carried out exclusively under the names of local brands and mainly in those regions where the corresponding production plants are located. Products are distributed through direct sales, distributors and wholesalers.



#### Dairy Products

Dairy products are manufactured and sold primarily in the Primorsky and Khabarovsk Territories. The company's dairy assets include two manufacturing businesses: Ussuriysky Milk Plant, JSC located in the city of Ussuriysk of the Primorsky Territory and JSC "DAKGOMZ" located in Komsomolsk on Amur of the Khabarovsk Territory.

These factories produce over 100 different products including different categories such as sterilized and pasteurized milk, sour cream, cottage cheese, butter, cultured milk and soya products, ice cream, etc. JSC «DAKGOMZ» is one of the few manufacturers of soya milk products in Russia and the only manufacturer of such products in the Russian Far East.



# PENTAGRO GROUP

## FOODSTUFF



### Meat Processing

Meat products are produced by Nakhodkinsky Meat Processing Plant with location in the city of Nakhodka, the Primorsky Territory, and are sold throughout the Far East. The plant produces a wide range of processed meat: cooked, uncooked and semi-cooked sausages, ham, salami and semi-processed meat. The company is focused on producing high-margin products in the medium price and premium market segments of the processed meat market.

### Poultry Meat Production

Poultry products are distributed mainly in Saratov Region and in the neighboring regions of the Volga Federal District. The essential in poultry business is an integrated poultry production complex in Saratov Region. Its core assets are JSC Mikhailovskaya Poultry Farm and the stud farm JSC PPZ Tsarevshchinsky-2. The poultry production complex produces the brood chicken egg, broiler chickens and products made from them – more than 100 kinds of high quality products, including chilled poultry meat, semi-finished products, ready meals and sausages. The complex also has its own distribution network, sales department and its own retail stores.



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## FINANCIAL REVIEW

### REPORT BY THE BOARD OF DIRECTORS FOR PRIORITY AREAS

#### Financial performances and operations

The table below illustrates the consolidated financial results for 2015, as compared with 2014.

(in million roubles, except for those indicators which are otherwise stated)

	2015	2014	% change
Sales, thousands dcl	9 870	11 021	-10
Sales, including excise tax	47 591	46 814	+2
<b>Net revenue</b>	<b>30 706</b>	<b>28 163</b>	<b>+9</b>
Cost of sales	18 033	16 135	+12
Gross profit	12 673	12 028	+5
Gross profit margin, %	41,3	42, 7	-1,4 пп
General and administrative expenses	2 582	2 411	+7
Selling expenses	8 260	7 389	+12
<b>EBITDA</b>	<b>2 885</b>	<b>2 973</b>	<b>-3</b>
EBITDA margin, %	9,4	10,6	-1,2 пп
Operating profit	2 109	2 274	-7
Operating Income Margin, %	6,9	8,1	-1,2 пп
Net financial expenses	1 737	945	+84
<b>Net profit</b>	<b>241</b>	<b>1 090</b>	<b>-78</b>
Net Income Margin, %	0,8	3,9	-3,1пп
Net profit per share, rubles	12,21	61,73	-80
Net operating cash flow	2 067	-878	

# FINANCIAL OVERVIEW

## REPORT BY THE BOARD OF DIRECTORS FOR PRIORITY AREAS

In 2015, the Company's sales continued to be pressured by the growth of excise rate increased in 2014, as well as reduced purchasing power of consumers due to economic crisis in the country. Shipments of Synergy Group showed a 10% decrease (from 11,021 thousand dcl to 9,870 thousand dcl). However, due to an increase in shipment prices and export and import activities, the Company managed to almost completely mitigate this decrease (net revenue showed a 9% increase from 28,163 million rubles to 30,706 million rubles). Additional pressure on shipments was applied by the introduction of the Unified State Automated Information System (USAIS) in the wholesale segment from January 1, 2016. Distributors minimized their stocks at the end of the year due to the nature of the transition to USAIS. However, in the first quarter of 2016, wholesale companies were rebuilding their stocks resulted in supporting the Company's sales in early 2016.

The gross profit margin showed a slight decrease due to inflationary cost growth, while the Company's gross profit showed a 5% increase up to 12,673 million rubles.

General and administrative expenses showed a 7% increase up to 2,411 million rubles due to the indexation of charges on payment of labor.

Given the difficult situation in the spirits market, the Company made efforts to improve operating efficiency, and the Company's commercial expenses showed a 12% increase up to 8,260 million rubles compared to a 26% increase a year earlier.

Consolidated EBITDA for 2015 remained at the level of the previous year. Its reduction did not exceed 3% (from 2,973 million rubles to 2,885 million rubles). This result is considered by the Company a good achievement given the decrease in shipments by 10%.

Net profit showed a 78% decrease from 1,090 million rubles to 241 million rubles. Such decrease is almost entirely due to a sharp increase in interest rates – the weighted average rate of borrowings as of December 31, 2014 amounted to 10.9%, as of June 30, 2015 – 14.82%, despite the fact that interest rates on new borrowings have reached larger quantities in the peak moments of the financial crisis. As of the end of 2015, the weighted average cost of borrowings decreased to 14.06%. As long as the financial situation continues to stabilize and the Central Bank of the Russian Federation continues to implement its policy of reducing interest rates, the Company expects a recovery in the net profit figures in 2016.

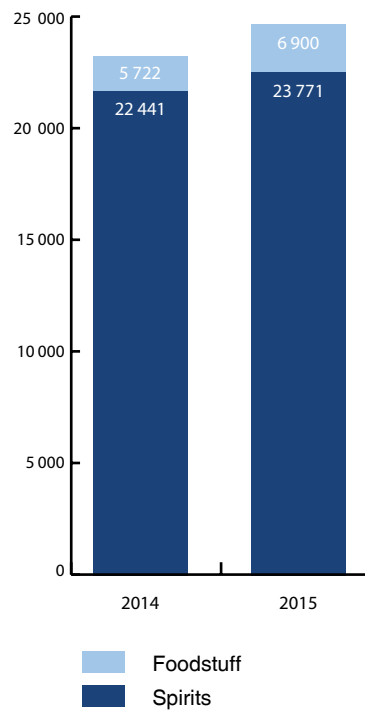
# FINANCIAL OVERVIEW

## REPORT BY THE BOARD OF DIRECTORS FOR PRIORITY AREAS

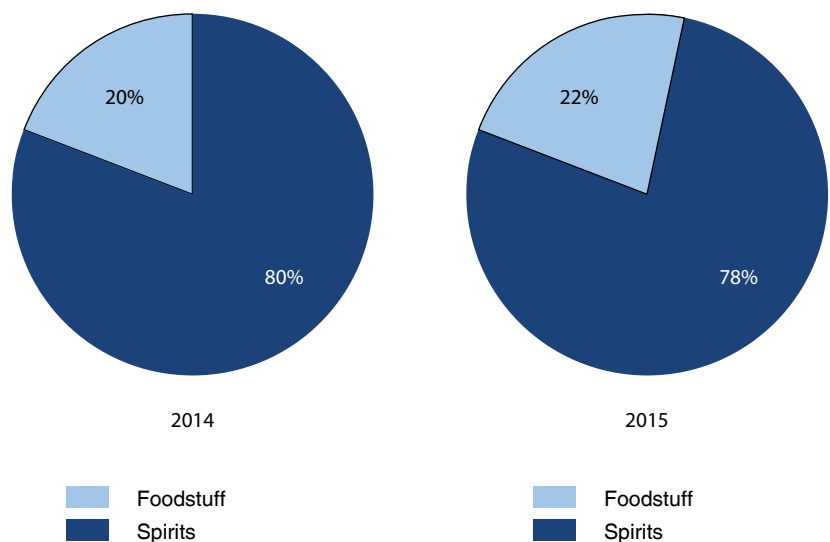
### Revenue

Company's revenue in 2015 is 30,706 mln rubles, which is 9% more than in 2014.

*Revenue, RUB mln.*



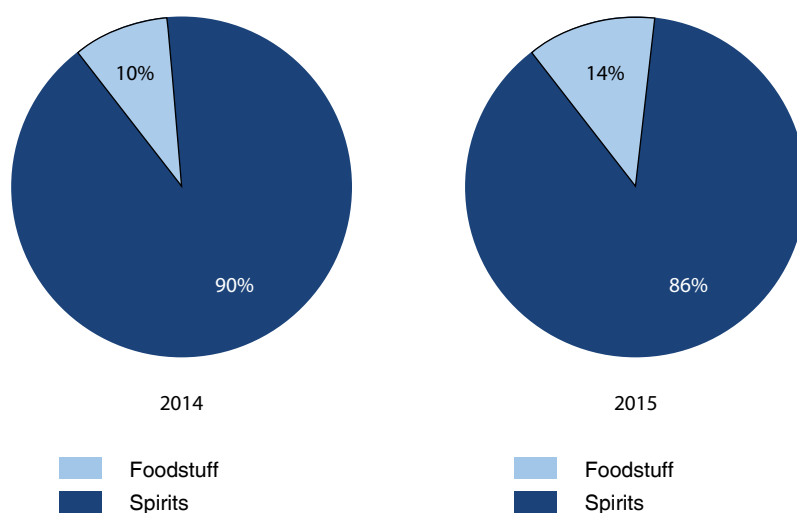
*Share of segments in revenue*



# FINANCIAL OVERVIEW

## REPORT BY THE BOARD OF DIRECTORS FOR PRIORITY AREAS

### Share of Segments in Gross Profit



The table below illustrates the changes in the segmental revenue and gross profit distribution for the full year 2015, as compared to the previous corresponding period. The data presented below is net of intersegment revenues.

	Spirits segment			Food segment		
	2015	increase	2014	2015	increase	2014
Revenue	23 771	+6%	22 441	6 900	+21%	5 722
Gross profit	10 840	+1%	10 779	1 821	+33%	1 369
Gross profit margin, %	45,6%	- 2 пп	47,6%	26,4%	+2,5 пп	23,9%

### Spirits Segment

The Spirits Segment dynamics is similar to the overall results of the Group: a drop in sales volume, an increase in revenue and gross profit due to an increase in prices and dynamic diversification of the Group's operations.

### Food segment

2015 showed growth in all food sub-segments. Focus on more premium products in the dairy and meat sectors, as well as the effective work of the poultry division contributed positively to the segment results.

# FINANCIAL OVERVIEW

## REPORT BY THE BOARD OF DIRECTORS FOR PRIORITY AREAS

### Capital structure

The table below shows the changes in the capital structure as of December 31, 2015 compared to the previous period.

(in million rubles, except for those figures stating otherwise)

	December 31, 2015	December 31, 2014	Change, %
Total debt obligations	8 449	8 708	-3
Long-Term Debt	5 647	5 544	+1,9
Short-Term Debt	2 802	2 904	- 11,4
<b>Share of long-term debt in total debt, %</b>	<b>67</b>	<b>64</b>	<b>+3 пп</b>
<b>Share of unsecured debt liabilities in the total debt, %</b>	<b>43</b>	<b>49</b>	<b>-6 пп</b>
Cash and cash equivalents	1 161	482	+140,9
Net debt	7 288	8 226	-11,4
Total Capital and Reserves	19 261	19 144	+0,6%
Total Capital	25 463	25 220	+1
<b>Net debt / EBITDA</b>	<b>2,53</b>	<b>2,77</b>	<b>-8,7</b>

In 2015, the Company's total liability debt decreased by 259 million rubles and amounted to 8,449 million rubles.

Cash flow increased significantly, primarily due to balances in USD and EUR to secure import operations in 1H2016. As long as exchange rates continue to be stabilized, the amount of cash on balances will steadily decrease.

Improving the efficiency of capital management led to decrease in net debt by 938 million rubles, or by 11.4% down to 7,288 million rubles.

# FINANCIAL OVERVIEW

## REPORT BY THE BOARD OF DIRECTORS FOR PRIORITY AREAS

### Operating cash flow

Net positive operating cash flow in 2015 amounted to 2,067 million rubles (negative net operating cash flow in 2014 amounted to 878 million rubles). Generation of significant cash flow by the Company demonstrates its ability to effectively manage working capital, which is especially important in the current crisis situation

## SOCIAL RESPONSIBILITY



Synergy builds its long-term development based not only on its commercial interests, but also on the principles of social responsibility and ethical standards of doing business, always considering the balance between business and society interests.

The Company seeks to make a contribution to the development of the Russian economy and the prosperity of the country's population. Thus, in 2015 the total volume of its tax payments exceeded 21 billion rubles. Synergy's management is convinced that the achievement of excellent results and management effectiveness are to a considerable extent determined by the level of trust to the Company. Trust, in its turn, is based on fair treatment and respect for all parties, concerned: shareholders, customers, business partners, and employees. We build relationships with these groups and shape the corporate reputation, which is one of the most significant non-financial assets, especially important for any company operating in the consumer sector of the market.

Our corporate and social responsibility policy is based on the following four priority areas:

- socially responsible marketing and development of responsible alcohol consumption culture;
- socially responsible human resources policy based on mutual respect, fair compensation and providing our employees with professional growth opportunities;
- taking care of the environment and preservation of natural resources;
- social and cultural initiatives encouraging harmonious society development.



### Socially Responsible Marketing

Synergy is one of leaders of the Russian spirit market and with the help of its activity in spirit brands promotion it tries to set an example of socially responsible marketing within the above mentioned market. The Company's products promotion and distribution are aimed exceptionally at adult consumers and we take into account risks related to excessive alcohol consumption.

The Company performs marketing activities in full compliance with the Russian legislation and puts its advertisements only on channels allowed by the law. Besides meeting regulation authorities' requirements, the Company developed its own system of standards in responsible alcohol consumption and informing consumers, which are based on recommendations and guidelines of such international organizations as the European Alcohol and Health Forum and the EU Council of Ministers.

Synergy does not impose alcohol consumption process in its marketing activity but makes adults aware of its products in order

# SOCIAL RESPONSIBILITY



they could make a conscious choice in favor of one or another brand.

Synergy also acts as initiator of a wider spreading of information materials explaining the negative effects of excessive alcohol consumption. So, in 2007, the Company developed and approved its own medium-term information and explanatory program called «Responsible alcohol consumption». The main objectives of this project are the avoidance of alcohol consumption among the under age, explanation of the potential harm of spirit products to some groups of consumers (pregnant women, people suffering from central nervous system diseases, etc.), prevention of road accidents that happen due to drink-driving.



Apart from following the legislation and more detailed in-house standards Synergy actively participates in forming industry standards in responsible marketing area. Company's specialists take part in the development of such standards on the basis of the Union of Alcoholic Beverage Producers as well as in cooperation with the Federal Service for Spirit Market Regulation.

## Socially Responsible Human Resources Policy

Synergy's employees are a guarantee of the Company's future achievements. This is the reason for high significance of ethical and socially responsible human resources policy for the Company.



Motivation of the staff, objective assessment of the professional contributions of each employee, talent support and providing conditions for the self-realization of specialists are among the main goals of the human resources policy. Particular attention is paid to improving life standards of Company's employees and their families. Benefits related to healthcare protection can be used by production staff as well as office employees.

Professional medical checks are carried out at production facilities twice a year. Voluntary Health Insurance scheme is operating for office staff.

Moreover, employees and their family members can use benefits related to holiday options. In particular, employees can be treated at health resorts at the Company's expense once a year, and they can also send their children to health resorts and summer camps. The Company tries to do its best in encouraging its employees to lead a healthy lifestyle.

Synergy sticks to the principle of equal opportunities and the Company guarantees freedom from any kind of discrimination to its employees. The Company closely monitors staff promotions to ensure that career advancement is always the result of productivity gains, higher business skills and gained experience. Recruitment and promotion are carried out without regard to gender, age,

# SOCIAL RESPONSIBILITY



national origin, religious beliefs, political opinions or membership in public associations. All government rules for employer – employee relations are strictly adhered to.

## Taking Care of the Environment

The Company operates in compliance with Russian legal requirements to environmental protection and seeks to minimize the negative impact of its production process and waste on the nature. The rational use of energy conservation and industrial waste management are among Company's priority areas in environmental protection.



The Company is conscious of the fact that plenty of limited natural resources, such as water and hydrocarbon fuel, are used in the production process. The Company seeks the ways to utilize resources as carefully as possible. It shall be noted that conservation of resources has both ethical and economic significance for Synergy – it is an important component of its general cost management system. Plant modernization consistently performed by the Company includes building environmental construction and equipment of production facilities with production monitoring systems preventing environmental damage.



## Social and Cultural Initiatives

From year to year Synergy builds up its participation in projects that are aimed at social support of population in the regions where Company's facilities are based. The Company conducts system-based charitable activity and pursues a comprehensive approach to solving social problems in cooperation with the local authorities.

The Company provides aid to poorest social groups but does not try to use this aid to promote its products. Neither of such projects is used for information or advertising purposes. Moreover, Synergy takes all measures necessary to avoid any associations between the aid that is addressed to the under age and Company's alcohol brands.

Apart from targeted aid Synergy actively participates in the program of Russian national public organization «Delovaya Rossiya3 (Business Russia) that is oriented to aid orphans, large families that adopt children from orphanages and infant orphanages. In addition to the above-mentioned program the Company regularly transfers money to «Delovaya Rossiya» to purchase toys, medication, clothes, books and many other things necessary for such children and their families. Company was awarded the «Public Recognition» certificate for this aid.

# SOCIAL RESPONSIBILITY



Also, Synergy has been implementing a policy of openness and participation in new significant projects of the modern society. Currently, Synergy is supporting the Center for Contemporary Art «Zarya» in Vladivostok.

Zarya Center is a non-profit organization established to promote the best achievements of Russian and world's modern culture in Vladivostok and support local young artists. The center is intended to become an independent platform for the development of creative ideas through effective dialogue with the world's leading masters in the field of contemporary art, design, architecture, cinema, literature, theatre, music, and new media.



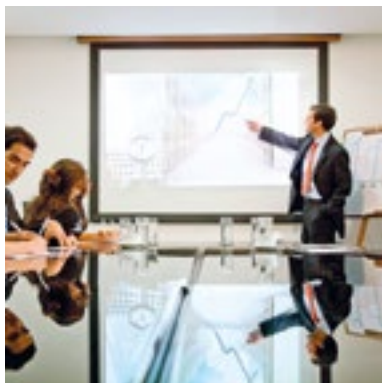
Projects of Zarya Center for Contemporary Art are held under the slogan of experimental methods of interaction between artists and spectators – performances, open creative workshops, interactive installations, art therapy sessions, work-in-progress projects – aimed at the development of active perception of spectators and stimulating the younger generation of artists to find their own style and format of the work in the context of current global trends.

One of the key elements of the exhibition program of the Center is the mobile art of the compact format: miniature works, travelling in suitcases of famous artists to reach the most difficult audience, as well as large-scale site-specific installations, that their authors reproduce anew from the materials available at each stop.



Part of the educational program of Zarya Center is lectures on history and theory of contemporary art, clothes and accessories design, literature, theatre, music and other creative industries; demonstration of art and documentary films in the original language with subtitles; touring demonstrations of new thematic festival films, as well as the annual project of An Artist Focus Series – review of the main world's video art, initiated by Zarya together with Artprojx Cinema.

## TO SHAREHOLDERS AND INVESTORS



### Shareholder Capital

The Synergy PJSC authorized capital amounts to 2,495,404,900 rubles divided into 24,954,049 uncertified registered ordinary shares with a nominal value of 100 rubles.

Synergy PJSC ordinary shares were issued under State Registration Number 1 01 55052-E, ISIN: RU000A0HL5M1.

The Synergy PJSC stock registrar was Open Joint Stock Company «VTB Registrator» (license No. 045-13970-000001, issued by the Russian Federal Committee for Securities Market on February 21, 2008).

Company's shares (Bloomberg code SYNGRU Equity, SYNG RX Equity, Reuters code SYNG RTS) are listed at the MICEX stock exchange CJSC in the quotation list of the first level under the SYNG code.

Data on entities entitled to dispose 5 or more percent of securities (as of the date of the preparation of the list of entities entitled to participate at an extraordinary General Meeting of shareholders, – 16.06.2015):

- Full corporate name: TOTTENWELL LIMITED

Short corporate name: –

Location: Cyprus, Limassol, postal index 4525, 8, Fanou Kleovoulou str.

Participation share in the issuer's authorized capital, %: 18.6

Share of owned issuer's ordinary shares, %: 18.6

Number of shares owned by TOTTENWELL LIMITED reduced by 0.33 % vs. previous reporting period.

TOTTENWELL LIMITED is an organization controlled by the Company.

- Full corporate name: DIPLINE CONSULTANTS LIMITED

Short corporate name: –

Location: THEMISTOCLES DERVIS STREET, 12, PALAIS D'IVOIRE, 1ST FLOOR, H/C/ 1066, NICISIA, CYPRUS

Participation share in the issuer's authorized capital, %: 6.46

Share of owned issuer's ordinary shares, %: 6.46

In the reporting year, DIPLINE CONSULTANTS LIMITED ceased ownership of 4.2 % of the issuer's ordinary shares.

- Full corporate name: SYNEXEC SECURITIES LIMITED

Short corporate name: –

Location: 13 CASTLE STREET, ST HELIER, JERSEY JE4 0Z

Participation share in the issuer's authorized capital, %: 14.38

Share of owned issuer's ordinary shares, %: 14.38

# TO SHAREHOLDERS AND INVESTORS



- Full corporate name: SWORD ENTERPRISES LIMITED

Short corporate name: –

Location: 13 CASTLE STREET, ST HELIER, JERSEY JE4 0Z

Participation share in the issuer's authorized capital, %: 14.35

Share of owned issuer's ordinary shares, %: 14.35

- Full corporate name: NEW MINES CS INVESTMENTS LIMITED

Short corporate name: –

Location: Cyprus, 3032 Limassol, office 102, bld A Oasis Centre, 97 Gladstonos Str.

Participation share in the issuer's authorized capital, %: 12.37

Share of owned issuer's ordinary shares, %: 12.37

Number of shares owned by NEW MINES CS INVESTMENTS LIMITED increased by 4.97 % vs. previous reporting period.

- Full corporate name: ABERDEEN GLOBAL

Short corporate name: –

Location: 2B RUE ALBERT BORSCHETTE L-1246 LUXEMBOURG

Participation share in the issuer's authorized capital, %: 8.8

Share of owned issuer's ordinary shares, %: 8.8



In the reporting period PENTAGRO HOLDINGS LIMITED located at: Cyprus, Limassol, P/B 3030, floor 5, CHRYSALIA COURT building, 206 Arch. Makariou III Str. ceased ownership of 1,270,100 issuer's ordinary shares, which amounts to 5.09% of the total quantity of the placed ordinary shares and the issuer's authorized capital.

PENTAGRO HOLDINGS LIMITED is an organization controlled by the Company.

# TO SHAREHOLDERS AND INVESTORS

## Outstanding Bonds

Documentary interest-bearing inconvertible bearer bonds with compulsory centralized storage and redeemable at the nominal value.

Documentary interest-bearing inconvertible exchange-traded bearer bonds with compulsory centralized storage and early redeemable by demand of an exchange-traded bond bearer.

<b>Series BO-04</b>	
State Registration Number	4B02-04-55052-E of 26.07.2013
Stock exchange	MICEX
Section	3rd level
Trading Code	RU000A0JVG89
ISIN Code	RU000A0JVG89
Volume at par	2 bn Rubles
Bond Nominal Value per piece	1 000 RUR
Issue Quantity	2 000 000 pieces
Placement date	04.06.2015
Maturity date	28.05.2020
Circulation period	1820 days
Number of Coupons	ten
Coupon period	182 days

## Account for Payment of Declared (Accrued) Dividends on Company Shares

Throughout 2015, dividends on ordinary registered shares of Synergy PJSC were neither accrued nor paid. The Company considers it expedient to reinvest the whole retained earnings and is not planning the dividends payment. Thus, the Company fulfills its strategic plans to expand sales and increase its market share, and Company's shareholders get the benefit in the form of the stock value increase.

# TO SHAREHOLDERS AND INVESTORS

## Synergy PJSC Ratings

### Fitch Ratings Fitch Ratings

03.12.2015	Issuer's default long-term rating in foreign currency: «B+».
03.12.2015	Issuer's default long-term rating in the national currency: «B+».
03.12.2015	National long-term rating: «A-(rus)».

### List of Major Transactions Conducted during the Reporting Year

In the reporting year the Company did not make any deals recognized as major ones according to the Federal Law «On Joint-Stock Companies», or any other deals that demand the procedure for the approval of major transactions according to the Charter of Synergy PJSC.

### List of Interested Party Transactions Made in the Reporting Year

In the reporting year the Company did not make any transactions recognized as interested party transactions according to the Federal Law «On Joint-Stock Companies».

### Review of Transactions Made by Controlled Legal Entities

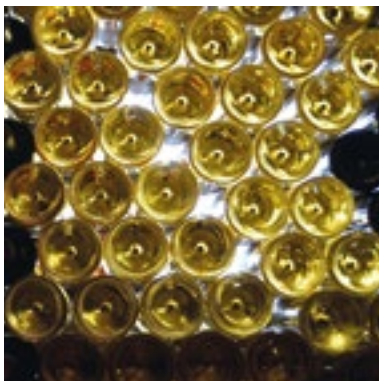
Transactions on the bank guarantee receipt for the production and sale of alcohol products are the main transaction type made by spirits plants that are controlled by Synergy PJSC legal entities. Conditions under which these transactions are made are market ones. The Company does not consider transactions on bank guarantee receipt to be major transactions.

### Information on Each Energy Resource Utilization in the Reporting Year

The Company consumes electricity and heating energy within ordinary amounts necessary for the administrative employees' proper functioning. The Company rents office premises through a third party and the current rental agreement does not assume defining a separate sum of compensation for renter's utilized energy resources in the total rental payment sum.

# 13

## CORPORATE MANAGEMENT



Synergy PJSC works its way to the optimum management model guided by global best practices, the Russian market environment and the specifics of its business.

The corporate management system of the dynamic company in a developing market cannot remain static. That is the reason why Synergy PJSC focuses the improvement of this system for the benefit of its shareholders.

The Synergy PJSC corporate management is based on the following principles:

- aspiration for the most efficient usage of Company's assets to receive economic profit;
- strict compliance with the current law;
- equal treatment of all shareholders of the Company;
- business transparency, timely and complete information disclosure;
- attention and respect for all parties concerned in the Company's business.

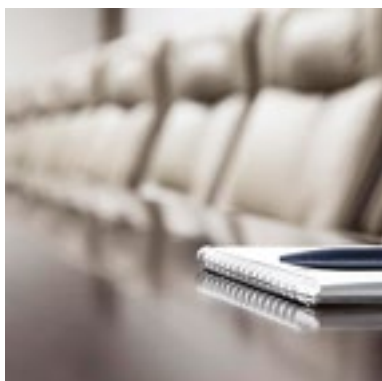
### The Company's management structure

The Company's supreme management body is the General Meeting of Shareholders. It controls the Board of Directors that performs general management of Company's operations and determines its priority operation areas and its development strategy. Executive bodies reporting to the Board of Directors are the Chairman of the Management Board (the sole executive body) and the Management Board (the collegial executive body) that carry out company's operative management. Additional control of Company's financial and business operations is exercised by the Internal Audit Department, the Board of Director's Audit Committee, an independent auditor and the Review Commission.

### General Meeting of Shareholders

Synergy PJSC shareholders participate in the corporate management by voting at the General Meeting of Shareholders in accordance with Federal Law «On Joint-Stock Companies» №208. FZ: shareholders of company's ordinary shares may take part in the General Meeting of Shareholders with the right to vote on all matters within its competence. In 2015, the annual General Meeting of Shareholders and one extraordinary General Meeting of Shareholders were held. The agenda of the extraordinary General Meeting of Shareholders included the approval of changes and amendment to the Company's Charter.

# CORPORATE MANAGEMENT



## Board of Directors

The Company's Board of Directors consists of 7 persons, two of which are independent members of the Board. The Board of Directors operating in 2015 was elected at the Synergy annual General Meetings of Shareholders held on June 19, 2014 and June 29, 2015.

Composition of the Board of Directors:

- Belokopytov, Nikolai V;
- Gomzyakov, Andrey A;
- Zavadnikov, Valentin G;
- Kuptsov, Sergey A;
- Malashenko, Nikolai G;
- Mechetin, Alexander A;
- Molchanov, Sergey V;



# CORPORATE MANAGEMENT



*Nikolai Belokopytov,*  
Deputy Chairman – Chief Financial Officer of Synergy PJSC

Has occupied executive positions at enterprises of Synergy Group PJSC for 15 years. Graduated from the Institute of Economics and Management of the Far Eastern State Technical University. As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.15 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.15 %.

During the reporting year, Nikolai Belokopytov made a transaction on acquiring 21,600 Company's securities, the transaction date is 25.03.2015.

Nikolai Belokopytov indirectly owns the Company's shares in the amount of 0.93 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.93 %. No conflict of interests is present.



*Sergey Kuptsov,*  
Head of the Investment Department at Synergy PJSC

Has been working for Synergy PJSC for 15 years. Before that occupied executive positions in investment company "Tiger Securities" in Vladivostok. Graduated from the Far Eastern State University, Physics Department. Has a qualification certificate of the Federal Committee of Equity Market, Series 1.0.

As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.1 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.1 %.

During the reporting year Sergey Kuptsov made the following transactions: acquisition of 21,600 Company's ordinary registered shares, the transaction date is 25.03.2015, alienation of 2,500 Company's ordinary registered shares, the transaction date is 14.05.2015, alienation of 1,000 Company's ordinary registered shares, the transaction date is 15.07.2015, alienation of 5,000 Company's ordinary registered shares, the transaction date is 13.08.2015, alienation of 7,000 Company's ordinary registered shares, the transaction date is 11.12.2015.

Sergey Kuptsov indirectly owns Company's shares in the amount of 0.13 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.13 %. No conflict of interests is present.

# CORPORATE MANAGEMENT



*Sergey Molchanov,*  
Chairman of the Board of Directors, Deputy Chairman of the Board  
– Operating Officer of Synergy PJSC

Has held executive positions in companies of Synergy Group PJSC for 14 years. Graduated from the Far Eastern State University, Economics Department, with the "economist" specialty. Earned a Bachelor's Degree in Management at the University of Maryland University College.

As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.15 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.15 %.

In the reporting period, S.V. Molchanov finalized the acquisition of securities of the Company in the amount of 21,600, the date of the transaction is 25.03.2015.

Sergey Molchanov indirectly owns the Company's shares in the amount of 0.93 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.93 %.

No conflict of interests is present



*Alexander Mechetin,*  
Chairman of the Management Board at Synergy PJSC

Chairman of the Management Board at Synergy PJSC  
The founder of Synergy Group PJSC; has been the Head of the Company for 16 years. Graduated from the Institute of Economics and Management of the Far Eastern State Technical University, and the Law Department of the Far Eastern State University. In 2001, defended a PhD thesis in economics on the topic «Organizational and Economic Provisioning of Enterprises Reforming in the Transition Period». Has the EMBA degree of the Oxford University.

As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.4 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.4 %. During the reporting year A.Mechetin made a transaction on acquiring 90,000 Company's ordinary registered shares, the transaction date is 25.03.2015.

A. Mechetin indirectly owns Company's shares in the amount of 28.73 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 28.73 %.

No conflict of interests is present.

# CORPORATE MANAGEMENT



*Nikolai Malashenko,*  
Head of the Legal Department at Synergy PJSC

Has been the Head of the Synergy PJSC Legal Department since 2004. Before that occupied different executive positions in Synergy-Vostok JSC. Graduated from the Far Eastern State University obtaining two specialties: «law» and «financial management» As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.0004 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.0004 %. During the reporting year Nikolai Malashenko made the following transactions: acquisition of 10,800 Company's ordinary registered shares, the transaction date is 25.03.2015, alienation of 6,000 Company's ordinary registered shares, the transaction date is 19.05.2015, alienation of 4,800 Company's ordinary registered shares, the transaction date is 17.07.2015. No conflict of interests is present.



*Andrey Gomzyakov,*  
Independent Director,  
Director General of Mir Produktov LLC

Graduated from Finance and Economics Institute of the Far Eastern State Agrotechnical University, with the «economist-organizer» specialty. As of the end of the reporting period (31.12.2015) no Synergy PJSC shares in ownership. During the reporting year Andrey Gomzyakov made the following transactions: alienation of 2,500 Company's ordinary registered shares, the transaction date is 22.01.2015, acquisition of 1,800 Company's ordinary registered shares, the transaction date is 25.03.2015, alienation of 2,150 Company's ordinary registered shares, the transaction date is 28.07.2015. No conflict of interests is present.

# CORPORATE MANAGEMENT



*Valentin Zavadnikov,*  
Independent Director  
Vice President of the SKOLKOVO Management School, Moscow

For 10 years (2002-2012) was the Chairman of the Federation Council's Committee on Industrial Policy.  
Graduated from the Admiral Nevelsky Far Eastern Higher Engineering Marine College, with the «Water Transportation Use» specialty.  
Did not possess any Synergy PJSC shares throughout the reporting period.  
No conflict of interests is present.

In 2015, 6 meetings of the Board of Directors were held (two meetings held in the form of joint presence of the Board members to discuss the agenda and make decisions, four were held in the form of absentee voting), which addressed issues of preparation, calling and holding of General Meetings of shareholders, election of the Chairman of the Board of Directors, members of the Board of Directors and members of the committees of the Board, approval of transactions, and other issues. Each meeting of the Board of Directors in 2015 was held with the entire attendance of the members.

The Board of Directors assessed its activities in 2015 as reasonable, fair and effective, which was carried out in the view of the ordinary business risk, taking into account the equal attitude to shareholders.

# CORPORATE MANAGEMENT



## Committees of the Board of Directors

There are four Committees in the Board of Directors: the Audit Committee, the Strategic Planning Committee, the HR and Remuneration Committee, and the Financial Committee. Committees carry out a preliminary review of the most important issues related to the management of the Company, and make recommendations for Meetings of the Board of Directors.

**The Audit Committee of the Board of Directors** (hereinafter «the Audit Committee») ensures the actual participation of the Board of Directors in control over Company's financial and economic activities. The Audit Committee acts on the premise that professional awareness of members of the Board of Directors relating to financial and economic activities of the Company is necessary for the Board of Directors to monitor the implementation of budgets (financial and business plans) of the Company, as well as to monitor the effectiveness of the internal supervision and risk management of the Company. Exceptional functions of the Audit Committee include the assessment of auditor-candidates of the Company, assessment of auditor's opinion, assessment of the effectiveness of the Company's internal audit and preparation of improvement proposals.

Goals and objectives of the Audit Committee and the procedure for coordination with Company's bodies are stated in the Provision on the Audit Committee of the Synergy PJSC Board of Directors. The Audit Committee consists of the independent members of the Board of Directors, who are not the sole executive body of the Company and (or) members of the collegial executive body of the Company. It is headed by an independent director. Members of the Audit Committee are:

- Andrey Gomzyakov (Chairman of the Committee, Independent Director);
- Valentin Zavadnikov (Independent Director);
- Sergey Kuptsov.

**The Strategic Planning Committee of the Board of Directors of the Company** (hereinafter «the Strategic Planning Committee») ensures the determination of strategic objectives and development of priority areas of the Company; including business planning, budgeting and other plans of Company's financial and business activities for the long-term and current perspective.

Goals, objectives and functions of the Strategic Planning Committee and the procedure for coordination with Company's bodies are stated in the Provision on the Strategic Planning Committee of the Synergy PJSC Board of Directors.

Members of the Strategic Planning Committee are:

- Sergey Molchanov (Chairman of the Committee);
- Alexander Mechetin;
- Nikolai Belokopytov.



HUNTING BY BELUGA

BELUGA  
HUNTING  
NOBLE BITTER

BELUGA



HUNTING

BERRY

NOBLE BITTER



38% 704 | MADE WITH FERUS FROM NATURAL FERUS BERRIES | 500 ML | PREMIUM SPIRITS AND FINEST ARTISAN WATER

# CORPORATE MANAGEMENT



**The HR and Remuneration Committee of the Board of Directors of the Company** (hereinafter «The HR and Remuneration Committee») ensures the involvement of most qualified specialists in the management of the Company and creation of necessary incentives for their successful work.

Goals, objectives and functions of the HR and Remuneration Committee and the procedure for coordination with Company's bodies are stated in the Provision on the HR and Remuneration Committee of the Synergy PJSC Board of Directors. The HR and Remuneration Committee consists of independent members of the Board of Directors, who are not the sole executive body of the Company and (or) members of the collegial executive body of the Company. It is headed by an independent director. Members of the HR and Remuneration

Committee are:

- Andrey Gomzyakov (Chairman of the Committee);
- Sergey Molchanov;
- Sergey Kuptsov.

**The Financial Committee of the Board of Directors of the Company** (hereinafter «the Financial Committee») ensures a preliminary review of materials relating to transactions that are Company's major transactions and (or) interested party transactions which should be approved by the Board of Directors. The aim of the Financial Committee is to develop and make recommendations as well as advise the Board of Directors of the Company in transactions approval. Goals, objectives and functions of the Financial Committee and the procedure for coordination with Company's bodies are stated in the Provision on the Financial Committee of the Synergy PJSC Board of Directors.

Members of the Financial Committee are:

- Nikolai Belokopytov (Chairman of the Financial Committee);
- Sergey Kuptsov;
- Nikolai Malashenko.

## Executive Bodies of Synergy PJSC

Executive bodies of Synergy PJSC act for the benefit of the Company and its shareholders, and report to the General Meeting of Shareholders and the Board of Directors.

## Management Board

The Management Board develops the operating policy of the Company, coordinates the work of services and divisions of the Company's apparatus, it also make decisions on important issues of current economic operations.

# CORPORATE MANAGEMENT



The Management Board acts on the basis of the Company's Charter approved by the General Meeting of Shareholders, the Provision on the Synergy PJSC Collegial Executive Body and other in-house documents of the Company. According to the Synergy PJSC Charter, the number of members of the Company's Management Board is defined by the Board of Directors and comprises of at least 4 (four) persons. The current Management Board was appointed by the Board of Directors on June 05, 2015 (Minutes No. 145 dated 08.06.2015). Before holding the Synergy PJSC General Meeting of Shareholders on May 29, 2015, the Management Board performed its activity having the same membership.



## Composition of the Management Board

**Elena Kim,**  
Synergy PJSC chief accountant

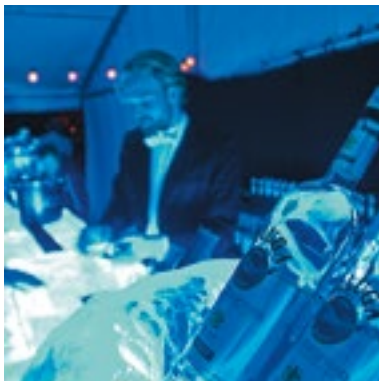
As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.006% of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.006%.

**Alexander Prokopiev,**  
Advisor of the Chairman of the Board for Security of Synergy PJSC

As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.008% of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.008%.

**Oleg Yasenov,**  
Synergy PJSC Marketing Director

As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.025 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.025 %. During the reporting year O. Yasenov made a transaction on acquiring 3,600 Company's ordinary registered shares, the transaction date is 25.03.2015.



## Chairman of the Management Board

The Chairman of the Management Board of the Company is appointed by the General Meeting of Shareholders for the period of 5 (five) years. The extraordinary General Meeting of Shareholders dated December 16, 2014 appointed Alexander Mechetin as the Chairman of the Management Board for a new term starting from December 18, 2014.

Rights and duties, responsibility and compensation package of the

# CORPORATE MANAGEMENT



Chairman of the Management Board are determined in the contract that is signed with him by the Company.

A. Mechetin is the founder of Synergy Group PJSC and has been the Head of the Company for 16 years. Graduated from the Institute of Economics and Management of the Far Eastern State Technical University, and the Law Department of the Far Eastern State University. In 2001, defended a PhD thesis in economics on the topic «Organizational and Economic Provisioning of Enterprises Reforming in the Transition Period». Has the EMBA degree of the Oxford University.

As of the end of the reporting period (31.12.2015) owned Synergy PJSC shares in the amount of 0.4 % of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 0.4 %.



During the reporting year A.Mechetin made a transaction on acquiring 90,000 Company's ordinary registered shares, the transaction date is 25.03.2015.

A. Mechetin indirectly owns Company's shares in the amount of 28.73% of the Synergy PJSC authorized capital, ownership percentage of ordinary shares is 28.73%.

No conflict of interests is present.



The work of executive bodies is assessed by the Company as efficient. While performing their duties the Management Board and the Chairman of the Management Board were governed by the legislation of the Russian Federation, provisions of the Company's Charter, the Provision on the Management Board and guidelines of the Company's Board of Directors.

Total amount of remuneration (compensation for expenses) of the person holding the position of the Sole Executive Body, Members of the Collegial Executive Body and Members of the Board of Directors of the Company

An employment contract, where the amount of remuneration obtained by the Sole Executive Body is defined, was concluded between Synergy PJSC and the person holding the position of the Sole Executive Body.

Members of the Synergy PJSC Collegial Executive Body do not get any remuneration or compensation for performing their duties.

Members of the Synergy PJSC Board of Directors get remuneration (compensation for expenses) according to the Provision on Remuneration for Members of the Synergy PJSC Board of Directors.



# CORPORATE MANAGEMENT



In 2015 and following 2015 no decision on the remuneration payment (compensation of expenses) to persons holding positions of the sole executive boy, members of the collegial executive bodies and members of the Board of Directors were not taken and payments were not made.

Information on the amount of remuneration for each management body (except for an individual performing functions of the sole executive body of the issuer's management):

## Board of Directors, RUB thd

Indicator	2015
Salary	159 459
Bonus	48 089
<b>TOTAL</b>	<b>207 548</b>

## Collegial Executive Body, RUB thd

Indicator	2014
Salary	128 522
Bonus	20 844
<b>TOTAL</b>	<b>149 366</b>

## Corporate Secretary

The Corporate Secretary ensures the compliance of Company's divisions and officials with requirements of regulations of the existing legislation, the Company's Charter as well as other documents guaranteeing the realization of rights and legitimate interests of shareholders: organizes activities of the Board of Directors and its committees; prepares, calls and holds General Meetings of Shareholders; controls the compliance of the information disclosure procedure defined by the legislation; registers and considers applications and requests of shareholders on corporate governance and use of shareholders' rights; interacts with professional participants of the securities market and state bodies on issues related to the regulation of corporate relationships and the securities market; controls the implementation of decisions made by the General Meeting of Shareholders and the Board of Directors; ensures the established rules and procedures, including compliance with the order of registering of holders' registered securities, the order of approval of major transactions and related party transactions, the procedure of issuing shares of the Company, use of the rights of shareholders for their placement, and other procedures aimed at protecting the rights and property interests of shareholders.

# CORPORATE MANAGEMENT



Dmitriy Timoshin, head of the Corporate Law department is the corporate secretary of Synergy PJSC. He has higher legal education: graduated from the Academy of National Economy under the Government of the Russian Federation.

As of the end of the reporting period (31.12.2015) no Synergy PJSC shares in ownership.

## Auditor of the Company

The annual General Meeting of Shareholders of the Company held on May 29, 2015 appointed as the Company's auditor Limited liability Company Baker Tilly Rusaudit (location: 15, bld 1, Zubarev per., 129164 Moscow, 1 INN 7716044594, OGRN 1037700117949), which is a member of self-regulated organization of auditors Non-Profit Partnership Institution of Professional Auditors (location: office, 419, 14, bld 1, Nametkina str., 117420 Moscow).

The procedure for selecting the Company's auditor: candidates of potential auditors are proposed by the Board of Directors for their approval at the General Meeting of Shareholders.

Remuneration of the auditor: for an independent inspection of RAS accounting (financial) statements for 2015 the Issuer paid 300,000 Rubles to the auditor; for an independent inspection of the Company's IFRS consolidated financial statements - 12,000,000 Rubles;

Results of the assessment of the effectiveness of internal and external audit by the Audit Committee

## Internal Audit

In accordance with the Provision on the Synergy PJSC Internal Audit Department, main tasks of the Department are to modernize internal control and risk management systems, ensure the authenticity and expediency of accounting and taxation statements, etc.

Following the analysis of activities of the Internal Audit Department for the 2015 financial year, the Audit Committee considers the organization and its implementation of functions and performance of the Internal Audit Department as satisfactory.

## External Audit

The Synergy PJSC external audit for the 2015 financial year under IFRS consolidated statements and individual reports under the Russian Accounting Standards was conducted by independent auditor company Baker Tilly Rusaudit LLC, which is a part of international auditor and consulting network Baker Tilly International. Quality standards of this network and companies being part hereof are recognized worldwide. The Synergy PJSC Audit Committee considers the audit process to be efficient and having satisfactory results.

# CORPORATE MANAGEMENT



## Transparency of Information and Relations with Shareholders and Investors

Synergy PJSC appreciates its relations with institutional and private investors and strives for maximum transparency of its operation. Dialogue with investors is a process that is conducted by the Company on a daily basis.

The Internal Department of Shareholder and Investor Relations assists the Management Board and the Board of Directors in communicating with shareholders and the investment community as a whole. The Department maintains regular contact with institutional investors and investment analysts and regularly makes perception studies to reveal the investors' opinion of the Company's operation. Disclosure of Company's semi-annual and annual financial results is accompanied by direct communication of investors with Synergy OJSC leadership on the telephone and via Internet conferences. The Synergy PJSC website contains a constantly updated section for investors, which includes news about the circulation of Company's securities on the market, presentations, and disclosure of financial results and information on corporate management.

## Information on the Compliance by Synergy PJSC with the Corporate Management Code

In its practice Synergy PJSC plans to implement actively provisions of the Corporate Management Code recommended for application by Letter of the Bank of Russia No. 06-52/2463 dated 10.04.2014 «On the Corporate Management Code» in order to increase the Company's attractiveness for existing and potential investors.

Work was done in the reporting period to identify novelties of the Corporate Management Code to be implemented in Synergy PJSC corporate management as well as to prepare for the application of recommendations of the Corporate Management Code by the Company.

A report on the compliance with corporate management principles stated in the Corporate Management Code, planned (envisioned) actions and events of the Company to modernize the corporate management model and practice are provided in the Annex to this annual report.



ИЗБЫТОЧНОЕ УПОТРЕБЛЕНИЕ АЛКОГОЛЯ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ

## DESCRIPTION OF KEY RISK FACTORS



### Risk management

Synergy PJSC would not be able to reach its strategic goals without the timely identification and effective management of existing and potential risks. Risk management and internal control facilitate the attainment of strategic goals by most efficient means and enable to maintain high quality of the Company's management.

The risk management and internal control system is based on interaction between Company's management bodies, its structural divisions and individual employees as well as division of their competences. Risk control includes all measures aimed at timely risk identification in order to reduce or exclude it. It may be implemented by internal audit, external audit and internal control.

The Board of Directors assesses the effectiveness of the risk management and internal control system of the Company as satisfactory.

### Economic risks

#### Risk of Decreasing Demand

The main market risk is decreasing demand for Company's products, in the first place, decreasing demand for vodka. The customers' change of preference in favor of other spirit beverages and development of state programs in healthcare can lead to decreasing demand for vodka.

#### Decreasing Demand Risk Management

The Company developed a demand survey system in all segments of its products that allows to quickly respond to possible demand fluctuations. Synergy PJSC expects that probable decrease in vodka demand will, first of all, affect illegal production and the cheap price segment. The diversified portfolio of the Company's brands protects it from decreasing demand in different price segments. The demand behavior in Company's priority vodka premium segments differs greatly from demand behavior concerning vodka on the whole; and the Company forecasts an active growth in this segment.

In order to support and develop customers' demand for Synergy production, the Company regularly performs the update (restyling) of its own brands.

Apart from the Company's focus on making premium products, Synergy actively diversifies and enters another premium segment of strong spirits. So, within the framework of developing its trademark portfolio the Company has expanded its range, issued its whisky brand, launched its family of liquors and herbal liquors.

# DESCRIPTION OF KEY RISK FACTORS



## Resource Price Fluctuation Risk

An increase in prices for resources used in the production higher than it was expected can negatively affect Company's results by increasing production costs and logistics expenses.

Additional risk factors connected to resources are the expediency and volumes of supplied raw materials.

## Resource Price Fluctuation Risk Management

Synergy PJSC monitors inflation dynamics of resources utilized by the Company, minimizes resource price fluctuations by means of signing long-term agreements with suppliers, optimization of the purchasing process and efficient stock management as well as its own proactive price policy.



## Financial risks

The Company considers the following financial risks: customer and bank-counterparty credit risks, interest rate fluctuations, under-liquidity risks as well as the violation of conditions of credit agreements (covenants). Currency exchange rate fluctuations are considered to be insignificant because the Company does not have considerable amounts of transactions with foreign contractors.



Information on financial risks and efforts of the Company in minimizing them can be found in notes to consolidated financial statements (paragraph 27 – Financial Risk Management).

## Production Risks

### Technology Risks

Synergy PJSC carries out an investment program aimed at increasing production capacities, increasing performance, decreasing production costs and maintaining production quality in the process of the growing production scale. The installation, start-up and maintenance of equipment demand considerable internal and external engineering resources. Failures in the design process or in the installation process can lead to the production plan breakdown and to Company's increased costs. The deterioration of equipment operating conditions can lead to the violation of product quality standards.

### Technology Risk Management

In order to reduce technology risks, the Company developed a

## DESCRIPTION OF KEY RISK FACTORS



system of scheduled preventive overhauls and monitoring of product quality. There is a program of regular modernization of equipment to avoid excessive wear. In order to reduce technology risks, Synergy PJSC carefully chooses equipment suppliers and signs long-term service agreements.

The Company carries out the insurance program of fixed assets corresponding to industry standards. The level of technical staff training is regularly assessed and is improved by means of different trainings and educational programs.

### **Risk of Losing Valuable Employees**



Competitive conditions on the labor market create the risk of losing key skills and competence due to employees leaving the Company. There is also a risk of the impossibility to find new qualified personnel that are essential for maintaining and expanding the Company's operation.





Taste brought by time

*Produced  
using  
cognac wine materials  
from France*



15

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income

	2015	2014
Sales	47 591	46 814
Excise duties	(16 885)	(18 651)
<b>Net revenue</b>	<b>30 706</b>	<b>28 163</b>
Cost of sales	(18 033)	(16 135)
<b>Gross profit</b>	<b>12 673</b>	<b>12 028</b>
General and administrative expenses	(2 582)	(2 411)
Distribution expenses	(8 260)	(7 389)
Other income/(expense)	278	46
<b>Operating profit</b>	<b>2 109</b>	<b>2 274</b>
Net finance costs	(1 737)	(945)
<b>Profit before tax</b>	<b>372</b>	<b>1 329</b>
Income tax	(131)	(239)
<b>Total comprehensive income for the period</b>	<b>241</b>	<b>1 090</b>
Attributable to		
Equity holders of the Company	240	1 065
Non-controlling interest	31	25
<b>Basic earnings per share (expressed in Russian Rubles per share)</b>	<b>12,21</b>	<b>61,73</b>

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position

	31 December 2015	31 December 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6 724	7 021
Goodwill	235	235
Investment in associates	700	–
Intangible assets	7 228	7 002
Other long-term assets	102	122
Deferred tax assets	478	456
<b>Total non-current assets</b>	<b>15 467</b>	<b>14 836</b>
<b>Current assets</b>		
Inventories	7 137	5 355
Biological assets	281	290
Trade and other receivables	10 970	13 153
Prepayments	576	571
Income tax overpaid	61	32
Cash and cash equivalents	1 161	482
<b>Total current assets</b>	<b>20 186</b>	<b>19 883</b>
<b>TOTAL ASSETS</b>	<b>35 653</b>	<b>34 719</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Equity and reserves</b>		
Share capital	2 495	2 495
Treasury Shares	(773)	(785)
Retained earnings	11 268	11 127
Other reserves	5 582	5 572
<b>Total equity attributable to shareholders of PAO Synergy</b>	<b>18 572</b>	<b>18 409</b>
Non-controlling interest	689	735
<b>Total equity and reserves</b>	<b>19 261</b>	<b>19 144</b>
<b>Non-current liabilities</b>		
Loans and borrowings	5 647	5 544
Deferred tax liabilities	555	532
<b>Total non-current liabilities</b>	<b>6 202</b>	<b>6 076</b>

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position

	31 December 2015	31 December 2014
<b>Current liabilities</b>		
Loans and borrowings	2 802	3 164
Trade and other payables	7 326	6 153
Income tax payable	62	182
<b>Total current liabilities</b>	<b>10 190</b>	<b>9 499</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>35 653</b>	<b>34 719</b>

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Statement of Changes in Equity

	Share capital	Treasury Shares	Other reserves and Share premium	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
<b>Balance at 31 December 2013</b>	<b>2 495</b>	<b>(733)</b>	<b>5 829</b>	<b>10 062</b>	<b>17 653</b>	<b>716</b>	<b>18 369</b>
Other changes in non-controlling interest	–	–	–	–	–	1	1
Dividends accrued to non-controlling interest in subsidiaries	–	–	–	–	–	(7)	(7)
Share based benefits	–	20	89	–	109	–	109
Repurchase of own shares	–	(72)	(346)	–	(418)	–	(418)
<b>Total changes, not recorded into net profit</b>	<b>–</b>	<b>(52)</b>	<b>(257)</b>	<b>–</b>	<b>(309)</b>	<b>6</b>	<b>(315)</b>
Total comprehensive income for the period	–	–	–	1 065	1 065	25	1 090
<b>Balance at 31 December 2014</b>	<b>2 495</b>	<b>(785)</b>	<b>5 572</b>	<b>11 127</b>	<b>18 409</b>	<b>735</b>	<b>19 144</b>
Other changes in non-controlling interest	–	–	–	–	–	(57)	(57)
Dividends accrued to non-controlling interest in subsidiaries	–	–	–	–	–	(20)	(20)
Separation of other consolidation reserves from share premium into retained earnings	–	–	69	(69)	–	–	–
Share based benefits	–	27	103	–	130	–	130
Repurchase of own shares	–	(15)	(162)	–	177	–	(177)
<b>Total changes, not recorded into net profit</b>	<b>–</b>	<b>12</b>	<b>10</b>	<b>(69)</b>	<b>(47)</b>	<b>(77)</b>	<b>(124)</b>
Total comprehensive income for the period	–	–	–	210	210	31	241
<b>Balance at 31 December 2015</b>	<b>2 495</b>	<b>(773)</b>	<b>5 582</b>	<b>11 268</b>	<b>18 572</b>	<b>689</b>	<b>19 261</b>

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Cash Flow Statement, RUB mln

	2015	2014
<b>Cash flows from operating activities</b>		
Profit before income tax and finance costs	2 109	2 274
Adjustments to reconcile profit to cash generated from operations		
Depreciation and amortisation	776	699
(Gain)/loss on disposal of property, plant and equipment	(363)	(10)
Share based benefits	130	109
(Gain) on change in fair value of biological assets	13	(87)
Other non-cash transactions	97	78
Changes in working capital:		
(Increase)/decrease in inventories and biological assets	(1 773)	1 826
(Increase)/decrease in accounts receivable	2 035	(1 288)
Increase/(decrease) in accounts payable	1 070	(2 854)
<b>Cash flows from operating activities</b>	<b>4 094</b>	<b>747</b>
Interest paid	(1 918)	(1 265)
Income tax paid	(109)	(360)
<b>Net cash flow from operating activities</b>	<b>2 067</b>	<b>(878)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries and associates	(700)	11
Acquisition of property, plant and equipment and intangible assets	(639)	(790)
Disposal of property, plant and equipment and intangible assets	394	96
<b>Net cash flow from investing activities</b>	<b>(945)</b>	<b>(683)</b>
<b>Cash flows from financing activities</b>		
Repurchase of own shares	(177)	(418)
Dividends paid to non-controlling interest	(21)	(16)
Loans and borrowings received	30 351	30 926
Loans and borrowings repaid	(30 596)	(28 916)
<b>Net cash flow from financing activities</b>	<b>(443)</b>	<b>1 576</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>679</b>	<b>15</b>
Cash and cash equivalents at beginning of the year	482	467
<b>Cash and cash equivalents at end of the year</b>	<b>1 161</b>	<b>482</b>

ВОДКА ОСОБАЯ

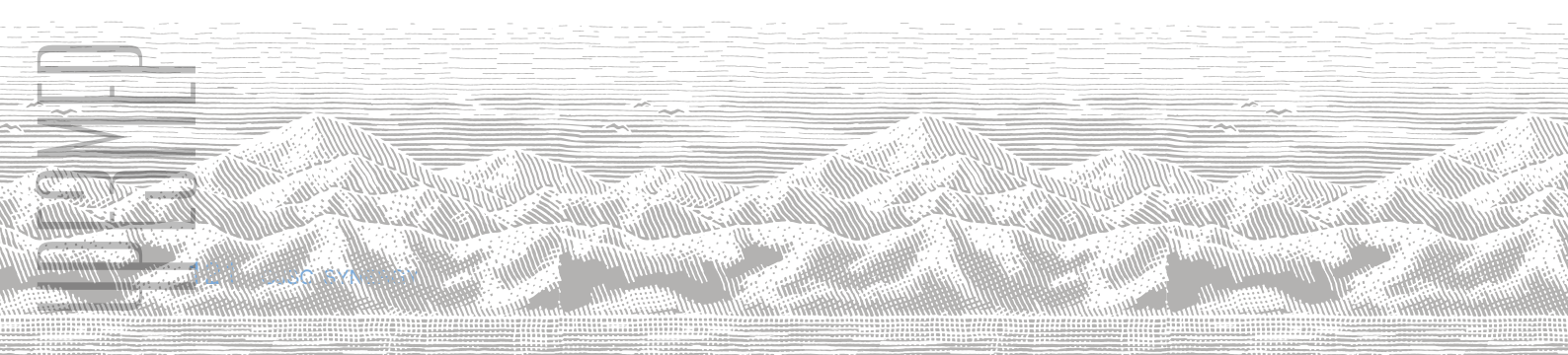


# СНЕЖНЫЙ КРАБ

V O D K A

**SNOW CRAB**

*Product of Russia*





# ANNEX TO SHAREHOLDERS AND INVESTORS

Report on compliance with principles and recommendations  
of the Code of Corporate Governance (hereinafter referred to as the «Code»)

№	Principles of Corporate Governance	Criteria for assessing compliance with the principle of corporate governance	Status of compliance with the principle of corporate governance	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
1.1.	<b>The Company shall ensure equal and fair treatment for all shareholders in implementation of their right to participate in Company's management.</b>			
1.1.1.	The Company creates for its shareholders the best possible conditions for participation in the General Meeting, the conditions to elaborate well-reasoned position on the agenda of the General Meeting, coordinates its activities, as well as gives the opportunity to express their opinions on the issues.	1. The internal document of the Company approved by the General Meeting of shareholders and regulating the procedures of the General Meeting is in public access. 2. The Company provides an affordable way of communication with the public, such as hot line, e-mail or forums on the Internet, allowing shareholders to express their opinions and send questions regarding the agenda in the preparation for the General Meeting. These actions were made by the public on the eve of every General Meeting, which took place in the reporting period.	partially complied	Regulations on the General Meeting of Shareholders of the Company is in public access: posted on the Internet at the following addresses used by Synergy PJSC for information disclosure: <a href="http://www.e-disclosure.ru/portal/company.aspx?id=7380">http://www.e-disclosure.ru/portal/company.aspx?id=7380</a> ; <a href="http://www.sygroup.ru/investor_center/">http://www.sygroup.ru/investor_center/</a> The Company provides an affordable way of communication with the public, such as e-mail. Contacts for investors are posted on the website of Synergy PJSC: <a href="mailto:ir@sygroup.ru">ir@sygroup.ru</a> , <a href="mailto:TimoshinDA@sygroup.ru">TimoshinDA@sygroup.ru</a>
1.1.2.	The order for the notification of the General Meeting and the provision of materials for the General Meeting gives shareholders the opportunity to prepare in due course for participation in it.	1. Notification of the General Meeting of Shareholders is posted (published) on the website no later than 30 days before the date of the General Meeting. 2. The notification of the meeting includes the place of the meeting and the documents required	complied	

to access the premises.

3. Shareholders were provided with access to information concerning the matter who proposed agenda items and nominees to the Board of Directors and the Audit Commission of the Company.

1.1.3 In the course of preparation and holding of the General Meeting shareholders had the opportunity to freely and timely receive information on the meeting and materials to it, to ask questions to the executive bodies and members of the Board of Directors, to communicate with each other.

1. In the reporting period, shareholders had the opportunity to ask questions to members of the executive bodies and the members of the Board of Directors before and during the Annual General Meeting.  
2. The position of the Board of Directors (including putting special opinions to the minutes), on each item of the agenda of the General Meetings held in the reporting period, was included in the materials for the General Meeting of Shareholders.  
3. The Company provided shareholders with a right to access the list of persons entitled to participate in the General Meeting from the date of its receipt by the Company in all cases of General Meetings in the reporting period.

partially complied

In the reporting period, shareholders had the opportunity to ask questions to members of the executive bodies and the members of the Board of Directors before and during the Annual General Meeting, eligible shareholders could get the information from the list of persons entitled to participate in the General Meeting, as defined by the legislation.  
Items on the agenda of the General Meetings of shareholders held in 2015, were approved by the members of the Board of Directors when calling meetings, there were no special opinions, so the materials for the collection of this information are not included in the meeting materials.

1.1.4 Implementation of the shareholder's right to demand the calling of the General Meeting, nominate candidates to the management bodies and make proposals for the agenda of the General Meeting did not involve unjustified difficulties.

1. In the reporting period, shareholders had the opportunity for at least 60 days after the end of the relevant calendar year, to submit proposals for inclusion in the agenda of the Annual General Meeting.  
2. In the reporting period, the Company did not refuse to accept proposals on the agenda or candidates in the bodies of the company due to typos and other non-essential flaws in the proposal of the shareholder.

partially complied

Paragraph 5 of Article 2 of the Regulation on the procedure of preparation and holding of the General Meeting of Shareholders of the Company provides for a period for sending proposals to shareholders to include items in the agenda of the Annual General Meeting of Shareholders and nomination of candidates to the management bodies and other bodies of the Company, elected at the Annual General Meeting of Shareholders, which should be received by the Company no later than 30 days after the end of the fiscal year. There were no shareholders' proposals on the agenda or candidates in the bodies of the company in the reporting year.

1.1.5 Each shareholder had the possibility to freely exercise his/her right to vote in the most

1. The internal document (internal policy) of the Company contains provisions, in accordance with

not complied

Internal documents of the Company do not contain such provisions, but in practice

<p>shareholders are provided with copies of filled-out ballots, if during the General Meeting of Shareholders a shareholder requests so.</p>	<p>The persons who present at the General Meetings of Shareholders of the Company have equal opportunities to express their opinions and get answers to their questions. Candidates for the management bodies are available to answer questions of shareholders.</p> <p>The Company will consider documented provisions on use of telecommunication means at the General Meetings of Shareholders in its internal documents, taking into account changes to the Federal Law «On Joint-Stock Companies».</p>
<p>which each member of the General Meeting may, prior to the end of the meeting, request a copy of his/her filled-out ballot validated by the counting commission.</p> <p>1. During the reporting period, there was enough time for reports on the agenda and discussion of these issues during the General Meetings of shareholders in the form of a meeting (joint presence of shareholders).</p> <p>2. Candidates for the management and control bodies of the company were available to answer questions from shareholders at the meeting, at which their nominations were put to the vote.</p> <p>3. When making decisions related to the preparation and holding of General Meetings of Shareholders, the Board of Directors considered the use of telecommunications means to provide remote access to shareholders to participate in General Meetings during the reporting period. Shareholders are provided with equal and fair opportunities to participate in the Company's profits by receiving dividends.</p>	<p>partially complied</p>
<p><b>1.2 Shareholders are provided with an equal and fair opportunity to participate in Company's profits by receiving dividends.</b></p> <p>1.2.1 The Company has developed and implemented a transparent and clear mechanism for determining the amount of dividends and its payment.</p> <p>1.2.2 The Company does not make any decision on payment of dividends, if such a decision, while formally not violating the restrictions imposed by law, is economically unreasonable and can lead to misinterpretation about the Company's activities.</p> <p>1.2.3 The Company does not allow the deterioration of the dividend rights of existing shareholders.</p>	<p>There is no internal document determining the company's dividend policy. The Company currently does not plan to take decisions on the dividend payment. An internal document determining the Company's dividend policy is under development.</p> <p>There is no internal document determining the company's dividend policy. The Company currently does not plan to take decisions on the dividend payment. An internal document determining the Company's dividend policy is under development.</p> <p>not complied</p> <p>not complied</p> <p>complied</p>

<p>1.2.4 The Company tends to exclude other ways of profiting (income) from the Company by shareholders, in addition to dividends and the liquidation value.</p>	<p>1. In order to exclude other ways of getting profit (income) from the Company by shareholders, in addition to dividends and the liquidation value, the internal documents of the Company stipulate monitoring mechanisms that ensure timely detection and approval procedure for transactions with persons affiliated (associated) with significant shareholders (individuals, having the right to manage votes corresponding to the voting shares), in cases where the law does not formally recognize such transactions as interested transactions.</p>	<p>Today, to determine the interest of a transaction, the Company refers to the provisions of Chapter XI of the Federal Law «On Joint-Stock Companies».</p>
<p>1.3 The corporate management system and practice ensure equal conditions for all shareholders – holders of shares of one category (type) including minority (small) shareholders and foreign shareholders as well as equal treatment of them from the Company.</p>	<p>1.3.1 The Company has created conditions for fair treatment of each shareholder by the management and control bodies of the Company, including conditions to prevent abuse by major shareholders in relation to minority shareholders.</p>	<p>1. During the reporting period, the procedures to manage potential conflicts of interest by significant shareholders are effective, and the Board of Directors paid due attention to conflicts between the shareholders (if any).</p>
<p>1.3.2 The Company does not take actions that lead or may lead to unnatural redistribution of the corporate control.</p>	<p>1. Quasi-treasury shares are absent or did not vote during the reporting period.</p>	<p>As of now the legislation does not define the term of quasi-treasury shares; regulations governing the convention of the General Meeting of Shareholders do not provide / describe the procedure for excluding quasi-treasury shares from voting / a quorum. If the laws are amended, the Company will carry out the necessary actions to comply with this criterion.</p>
<p>1.4 Shareholders are provided with reliable and effective ways to address the rights of the shares and the possibility of free and easy disposal of shares held by them.</p>	<p>1. Quality and reliability of the Company's registrar activities on keeping the register of securities holders meet the needs of the Company and its Shareholders.</p>	<p>1. Quality and reliability of the Company's registrar activities on keeping the register of securities holders meet the needs of the Company and its Shareholders.</p>
<p>2.1 The Board of Directors carries out the strategic management of the Company, defines basic principles and approaches to risk management and internal control systems, controls the activity of executive bodies, and performs other key functions.</p>	<p>1. Quality and reliability of the Company's registrar activities on keeping the register of securities holders meet the needs of the Company and its Shareholders.</p>	<p>1. Quality and reliability of the Company's registrar activities on keeping the register of securities holders meet the needs of the Company and its Shareholders.</p>

2.1.1	<p>The Board of Directors is responsible for decisions linked to the appointment and dismissal of executive officers, including due to improper performance of their duties. The Board of Directors also makes sure that the executive bodies of the Company act in accordance with the approved development strategy and the main activities of the Company.</p>	<ol style="list-style-type: none"> <li>1. The Board of Directors has authorities defined in the Charter to appoint, dismiss executive officers and define the terms of contracts with them.</li> <li>2. The Board of Directors reviewed a report (reports) of the sole executive body and members of the collegial executive body on the implementation of the Company's strategy.</li> </ol>	partially complied	<p>Reports of the sole executive body and members of the collegial executive body are never done, as the Board of Directors is in constant interaction with the executive bodies of the Company and has full information on their activities.</p>
2.1.2	<p>The Board of Directors establishes the basic guidelines of the Company's long-term activities, evaluates and approves key performance indicators and key business goals of the Company, evaluates and approves the strategy and business plans of the Company's core activities.</p>	<ol style="list-style-type: none"> <li>1. During the reporting period, the meetings of the Board of Directors addressed the issues related to the progress of implementation and update of the strategy, approval of the financial and economic plan (budget) of the Company, as well as review of criteria and indicators (including interim ones) of the strategy and business plans of the Company.</li> </ol>	partially complied	<p>Issues relating to the definition of key performance indicators, key business goals of the Company, as well as review of criteria and indicators for implementation of the Company's strategy and business plans were addressed by the members of the Board of Directors during discussion and approval of the Company's annual report.</p>
2.1.3	<p>The Board of Directors determines principles and approaches to the organization of the risk management and internal control system in the Company.</p>	<ol style="list-style-type: none"> <li>1. The Board of Directors determined principles and approaches to the organization of the risk management and internal control system in the Company.</li> <li>2. The Board of Directors has assessed the systems of risk management and internal control of the Company during the reporting period.</li> </ol>	partially complied	<p>The Board of Directors did not conduct assessment of risk management and internal control systems of the Company during the reporting year. Definition of principles and approaches to risk management and internal control systems of the Company is under development.</p>
2.1.4	<p>The Board of Directors defines the remuneration policy of the Company and/or reimbursement (compensation) policy to the members of the Board of Directors, executive bodies and other key executives of the Company.</p>	<ol style="list-style-type: none"> <li>1. The Company has developed and implemented a policy (policies), approved by the Board of Directors, on remuneration and reimbursement (compensation) to the members of the Board of Directors, executive bodies and other key executives of the Company.</li> <li>2. The issues related to this policy (policies) were addressed during the reporting period at the meetings of the Board of Directors.</li> </ol>	partially complied	<p>During the reporting period, there was no need to make changes to compensation and reimbursement (compensation) systems to the members of the Board of Directors, executive bodies and other key executives of the Company (policies).</p>

<p>2.1.5 The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts between the bodies of the Company, shareholders of the Company and Employees of the company.</p>	<p>1. The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts. 2. The Company has established a system to detect transactions involving a conflict of interest, and a system of measures aimed at resolving such conflicts.</p>	<p>complied</p>
<p>2.1.6 The Board of Directors plays a key role in ensuring the transparency of the Company, timeliness and completeness of disclosure of the information by the Company, non-burdensome access of shareholders to the Company's documents.</p>	<p>1. The Board of Directors approved the Regulation on Information Policy. 2. The Company defined persons responsible for the implementation of the Information policy.</p>	<p>partially complied</p> <p>The Company's Board of Directors approved the Regulations on use of information on the activities of Synergy PJSC, the Board of Directors of the Company is responsible for compliance with its provisions.</p>
<p>2.1.7 The Board of Directors controls the corporate governance practices and plays a key role in significant corporate events.</p>	<p>1. During the reporting period, the Board of Directors considered the issue of corporate governance practices in the Company.</p>	<p>complied</p>
<p><b>2.2 The Board of Directors reports to the shareholders of the Company.</b></p>		
<p>2.2.1 Information on the work of the Board of Directors is disclosed to shareholders.</p>	<p>1. The annual report of the Company for the reporting period includes information on attendance of the meetings and committees of the Board of Directors by individual directors. 2. The annual report contains information on the main results of evaluation of the Board of Directors' work during the reporting period.</p>	<p>complied</p>
<p>2.2.2 The Chairman of the Board of Directors is available for communication with the Company's shareholders.</p>	<p>1. There is a transparent procedure in the Company for providing shareholders with the opportunity to ask the Chairman questions and express their opinions on it.</p>	<p>complied</p>
<p><b>2.3 The Board of Directors is an efficient and professional body of the Company's management, able to make objective independent judgments and take decisions meeting the interests of the Company and its shareholders.</b></p>		
<p>2.3.1 Only persons who have excellent business and personal reputation, and have the knowledge, skills and experience required to make decisions within the competence of the Board of Directors and for the effective performance of its functions, are elected as members of the Board of Directors.</p>	<p>1. The Company's adopted procedure for evaluation of the effectiveness of the Board of Directors involves assessment of professional qualifications of members of the Board of Directors. 2. During the reporting period, the Board of Directors (or a committee on nominations) evaluated candidates for the Board of Directors as to whether they have the necessary experience, knowledge and business reputation, lack of conflict of interest, etc.</p>	<p>partially complied</p> <p>The Board of Directors assesses the candidates for the Board of Directors during the approval of the list of candidates for the members of the Board of Directors of the Company at the General Meeting of Shareholders.</p>

<p>2.3.2</p> <p>The members of the Board of Directors are elected in a transparent procedure that allows shareholders to receive sufficient information on the candidates to form an image of their personal and professional qualities.</p>	<p>1. In all cases of the General Meeting of Shareholders during the reporting period, where the agenda had included the election of the Board of Directors, the Company presented to the shareholders the <i>curricula vitae</i> of all the candidates for members of the Board of Directors, the results of the candidates' evaluation conducted by the Board of Directors (or the committee on nominations), and information on compliance of a candidate with the independence criteria in accordance with recommendations 102 - 107 of the Code and the written consent of the candidates to be elected to the Board of Directors.</p>	<p>partially complied</p> <p>Shareholders were not provided with the results of the candidates' evaluation, taking into account the fact that all the candidates are repeatedly included in the list of candidates for the Company's Board of Directors at the General Meeting of Shareholders, and are well known to shareholders.</p> <p>In the future, the Board of Directors intends to include the results of the candidates' evaluation in the information (materials) of the Shareholders' Meeting.</p>
<p>2.3.3</p> <p>The composition of the Board of Directors is balanced, including by qualifications of its members, their experience, knowledge and business qualities, and shareholders trust them.</p>	<p>1. As part of the procedures for assessing the work of the Board of Directors during the reporting period, the Board of Directors reviewed its own needs for professional qualifications, experience, and business skills.</p>	<p>partially complied</p>
<p>2.3.4</p> <p>The quantitative composition of the Board of Directors ensures organization of the activities of the Board of Directors in the most efficient manner, including the possibility to create board committees, and also gives an opportunity to significant minority shareholders of the Company to elect a candidate they vote for to the Board of Directors.</p>	<p>1. As part of the Board of Directors assessment procedures carried out in the reporting period, the Board of Directors considered the issue of compliance of the quantitative composition of the Board of Directors with the needs of the Company and the interests of shareholders.</p>	<p>partially complied</p> <p>The issue of the number of members of the Board of Directors in the reporting period was not considered, since the Board of Directors consisting of 7 members, as stipulated in the Company's Charter, is considered by the Board of Directors as optimal to the needs of the Company and the interests of shareholders.</p>
<p><b>2.4 The Board of Directors includes a sufficient number of independent directors.</b></p>		
<p>2.4.1</p> <p>The Board of Directors includes a sufficient number of independent directors. An independent director is a person who has enough professionalism, experience and independence to have his/her own opinion, able to make objective and honest judgments, independent from the influence of executive bodies of the Company, separate groups of shareholders or other stakeholders. It should be taken into consideration that in usual conditions a candidate (elected member of the Board of Directors), which is associated</p>	<p>1. During the reporting period, all the independent members of the Board of Directors complied with all the criteria for independence set out in recommendations 102 – 107 of the Code, or were recognized as independent by the decision of the Board of Directors.</p>	<p>complied</p>

with the company, its significant shareholder, a significant counterpart or competitor of the Company or related to state bodies, cannot be regarded as the independent one.

2.4.2	<p>Candidates for members of the Board of Directors are evaluated for compliance with the criteria of independence; the independent members of the Board of Directors are also regularly analyzed for their compliance with independence criteria. During such evaluation, content should prevail over form.</p>	not complied	<p>In the future, the Board of Directors is going to evaluate the independence of each candidate for the Board of Directors and include the results of the evaluation in the information (materials) for the Shareholders' Meeting.</p>
2.4.3	<p>Independent directors are at least one third of the elected Board of Directors.</p>	partially complied	<p>2 out of 7 members of the Company's Board of Directors are independent.</p>
2.4.4	<p>Independent directors play a key role in the prevention of internal conflicts in the Company and the Company's significant corporate actions</p>	complied	
2.5	<p><b>The Chairman of the Board of Directors facilitates the most effective performance of functions charged with the Board of Directors.</b></p>	partially complied	<p>The Chairman of the Board of Directors of the Company is not part of the executive bodies (Chairman of the Board of Directors, the Board), has the necessary knowledge and experience to manage the activities of the Board of Directors and its effective operation. The role, rights and responsibilities of the Chairman of the Board of Directors are defined in the Charter and Regulation of the Board of Directors.</p>
2.5.1	<p>An independent director is elected as the Chairman of the Board of Directors or a senior independent director is determined among elected independent directors who will coordinate the work of independent directors and interact the Chairman of the Board of Directors.</p>		

<p>2.5.2 The Chairman of the Board of Directors ensures the constructive atmosphere of the meetings, free discussion of the issues on the agenda of the meeting, and control over the implementation of decisions taken by the Board of Directors.</p>	<p>1. The Chairman's performance is evaluated in the framework of performance evaluation procedures of the Board of Directors in the reporting period.</p>	<p>not complied</p>	<p>Activities of the Chairman of the Board of Directors comply with this principle. Evaluation of the Chairman's performance during the reporting period was not carried out. The new Board of Directors will be tasked with evaluating the performance of the Chairman of the Board of Directors.</p>
<p>2.5.3 The Chairman of the Board of Directors takes the necessary measures for timely provision of information to members of the Board of Directors for decision-making on the agenda.</p>	<p>1. The Chairman of the Board of Directors' responsibility to ensure timely provision of information to members of the Board of Directors on the agenda issues is set out in internal documents of the Company.</p>	<p>complied</p>	
<p><b>2.6 The Board members act in good faith and reasonably in the interests of the Company and its shareholders on the basis of sufficient information, with due care and attention.</b></p>			
<p>2.6.1 The members of the Board of Directors make decisions based on all the available information, with no conflict of interests, demonstrating equal attitude to the shareholders of the Company, and within the framework of the normal business risk.</p>	<p>1. The Company's internal documents define that a member of the Board of Directors shall notify the Board of Directors, if he/she has a conflict of interests with respect to any item on the agenda of the meeting of the Board or the committee of the Board of Directors, prior to the discussion of such item of the agenda. 2. The Company's internal documents define that the Board member must abstain from voting on any matter, in which he/she has a conflict of interests. 3. The Company defined a procedure that allows the Board of Directors to receive professional consultations on matters within its competence at the expense of the Company.</p>	<p>complied</p>	
<p>2.6.2 The rights and obligations of the members of the Board of Directors are clearly defined and set out in the internal documents of the Company.</p>	<p>1. The Company adopted and published an internal document that clearly defines the rights and obligations of the members of the Board of Directors.</p>	<p>complied</p>	
<p>2.6.3 The members of the Board of Directors have sufficient time to perform their duties.</p>	<p>1. Individual attendance of the meetings of the Board and its committees, as well as the time spent for preparation for the meetings, were taken into account during the evaluation of the Board of Directors during the reporting period.</p>	<p>partially complied</p>	<p>The obligation to notify the Board of Directors of the intention of the Board members to enter the management bodies of other organizations is not defined in the internal documents of the Company, however the Board members shall inform the Company</p>

of their positions and relevant changes.

2. In accordance with the internal documents of the Company, the Board members must notify the Board of Directors of their intention to join other organizations' management bodies (in addition to the controlled and affiliated bodies of the Company), as well as the fact of such appointment.

2.6.4 All the Board members have equal access to the documents and the information of the Company. The newly elected members of the Board of Directors are provided with enough information on the Company and the activities of the Board of Directors as soon as possible.

completed

1. In accordance with the internal documents of the Company, members of the Board of Directors have the right to get access to documents and to make inquiries concerning the Company and its controlled organizations, and the executive bodies of the Company should provide relevant information and documents.
2. There is a formalized program of informational events for newly elected Board members in the Company.

## 2.7 Meetings of the Board of Directors, preparation for them and participation of members of the Board of Directors in them ensure the effective activities of the Board of Directors.

2.7.1 Meetings of the Board of Directors are held as necessary, taking into account the scale of activities and the challenges facing the Company at certain time.

1. The Board of Directors held at least six meetings during the reporting year.

completed

2.7.2 The Company's internal documents set out the procedure of preparation and holding of the meetings of the Board of Directors, which allows members of the Board of Directors to properly prepare for the meeting.

1. The Company adopted the internal document defining the procedure of preparation and holding of the meetings of the Board of Directors, which defines that the notification of the meeting should be sent, as a rule, no less than 5 days prior to the meeting.

completed

2.7.3 The form of the meeting of the Board of Directors is defined taking into account the importance of the issues on the agenda. Most important issues are decided at in-person meetings.

partially complied

1. The Charter or internal documents of the Company set out that the most important issues (according to the list in recommendation 168 of the Code) should be considered at in-person meetings of the Board of Directors.

Due to different work schedules, work specifics of members of the Board of Directors, some meetings of the Board of Directors are held in absentia. Members of the Board of Directors keep in contact through modern communications due to which meetings in absentia do not impact the quality of decisions made by the Board of Directors.

<p>2.7.4 Decisions on the most important issues of the Company's activities are taken at the meeting of the Board of Directors by a qualified majority or a majority of all the elected members of the Board of Directors.</p>	<p>1. The Company's Charter provides that decisions on the most important issues outlined in recommendation 170 of the Code, shall be taken at a meeting of the Board of Directors by a qualified majority not less than three fourths of the votes, or a majority of all the elected members of the Board of Directors.</p>	<p>not complied</p>	<p>At the Company's meetings of the Board of Directors, the qualified majority of the votes can be applied to decisions, for which such a procedure is stipulated by the legislation of the Russian Federation. In 2015, the members of the Board of Directors unanimously took the decision to bring issues related to changes to the Company's Charter and the adoption of recommendations on the amount of dividends as set out in recommendation 170 of the Code on the agenda of the General Meeting of Shareholders.</p>
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**2.8 The Board of Directors establishes committees for the preliminary review of most important issues of Company's activities.**

<p>2.8.1 For preliminary review of issues related to the control of financial and economic activity of the Company, an audit committee composed of independent directors was created.</p>	<p>1. The Board of Directors created an audit committee composed entirely of independent directors. 2. The internal documents of the company define the tasks of the audit committee, including but not limited to, tasks contained in recommendation 172 of the Code. 3. At least one member of the audit committee, being an independent director, has experience and expertise in the preparation, analysis, evaluation and audit of accounting (financial) statements. 4. The audit committee met at least once per quarter during the reporting period.</p>	<p>partially complied</p>	<p>The Company's Board of Directors created an Audit Committee the functions of which are stated in the Provision on the Audit Committee of the Board of Directors. 2 directors out of 3 directors in the Audit Committee are independent. The Audit Committee is headed by an independent director. Extension of functions of the Audit Committee of the Board of Directors in accordance with recommendations with the Corporate Management Code for the Nomination Committee is under development now.</p>
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<p>2.8.2 For preliminary review of issues related to the creation of efficient and transparent remuneration practices, the Remuneration Committee was created, consisting of independent directors and headed by an independent director who is not the Chairman of the Board of Directors.</p>	<p>1. The Board of Directors set up the remuneration committee, which consists solely of independent directors. 2. The Chairman of the remuneration committee is an independent director who is not the Chairman of the Board of Directors. 3. The internal documents of the Company define the tasks of the remuneration committee, including but not limited to, tasks contained in recommendation 180 of the Code.</p>	<p>partially complied</p>	<p>The Company's Board of Directors created a HR and Remuneration Committee the functions of which are stated in the Provision on the HR and Remuneration Committee of the Board of Directors. The HR and remuneration committee includes 1 independent director who is not the Chairman of the Board of Directors. Extension of functions of the HR and Remuneration Committee of the Board of Directors in accordance with recommendations with the Corporate Management Code for the Nomination Committee is under development now.</p>
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<p>2.8.3 For preliminary review of issues related to the workforce planning (succession planning), the professional staff and the performance of the Board of Directors, a committee on nominations (nominations, personnel appointments) was established, with most of its members being independent directors.</p>	<p>1. The Board of Directors established a committee on nominations (or the tasks specified in recommendation 186 of the Code are performed by another committee&lt;4&gt;), with the majority of its members being independent directors. 2. The Company's internal documents define tasks of the nomination committee (or another relevant committee with combined functions), including inter alia tasks contained in the Recommendation 186 of the Code.</p>	<p>partially complied</p>	<p>Functions of the Nomination Committee are performed by the HR and Remuneration Committee of the Board of Directors and not in full correspond to recommendations of the Corporate Management Code for the Nomination Committee. Extension of functions of the HR and Remuneration Committee of the Board of Directors in accordance with recommendations with the Corporate Management Code for the Nomination Committee is under development now.</p>
<p>2.8.4 Given the scope and risk level, the Board of Directors made sure that the composition of its committees fully meets the goals of the Company's activities. Additional committees were either created or dismissed as unnecessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, committee on health, safety and the environment, and others).</p>	<p>1. During the reporting period, the Company's Board of Directors reviewed the composition of its committees against the tasks of the Board and the goals of the Company. Additional committees were either created or were dismissed as unnecessary.</p>	<p>partially complied</p>	<p>The question of the compliance of the committees' composition with the respective tasks of the Board and the goals of the Company was considered by the Board of Directors for the creation of committees of the Board of Directors, but was not put in a separate vote. According to the members of the Board of Directors, the committees' composition corresponds to the tasks of the Board and the goals of the Company.</p>
<p>2.8.5 The composition of the committees is defined in such a way that it ensures comprehensive discussion of preliminary issues taking into account different opinions.</p>	<p>1. Committees of the Board of Directors are headed by independent directors. 2. Internal documents (policies) of the Company include provisions, under which persons who are not members of the audit committee, the committee on nominations and the remuneration committee may attend the committee meetings only upon invitation of the Chairman of the relevant committee.</p>	<p>complied</p>	
<p>2.8.6 The Chairman of the Committee shall regularly inform the Board of Directors and its Chairman on the activities of its committees.</p>	<p>1. During the reporting period, the chairmen of the committees reported regularly on the activities of committees of the Board of Directors.</p>	<p>complied</p>	
<p><b>2.9 The Board of Directors ensures the assessment of the quality of work of the Board of Directors, its committees and members of the Board of Directors.</b></p>			
<p>2.9.1 Assessment of the quality of the Board of Directors' work is aimed at determining the</p>	<p>1. Self-assessment or external assessment of the Board of Directors held during the reporting</p>	<p>partially complied</p>	

<p>2.9.1 performance of the Board of Directors, its committees and the Board members, the compliance of their work with the Company's development needs, facilitation of the Board of Directors' work and identification of improvement areas.</p>	<p>period included the assessment of the work of the committees, individual members of the Board of Directors and the Board of Directors as a whole.</p> <p>2. The results of the self-assessment and the external assessment of the Board of Directors held during the reporting period were discussed at the internal in-person meeting of the Board of Directors.</p>	<p>not complied</p>	<p>External organizations (consultants) are not involved in assessment of the quality of work of the Board of Directors. The Board of Directors considers to engage external organizations (consultants) for assessment of the quality of its work in the future.</p>
<p>2.9.2 The assessment of the work of the Board of Directors, its committees and members is performed on a regular basis at least once a year. To perform an independent assessment of the performance of the Board of Directors an external organization (consultant) is engaged at least once every three years.</p>	<p>1. To perform an independent assessment of the quality of the Board of Directors during the past three fiscal years the Company engaged an external organization (consultant) at least once.</p>	<p>not complied</p>	<p>The corporate secretary (consultants) are not involved in assessment of the quality of work of the Board of Directors. The Board of Directors considers to engage external organizations (consultants) for assessment of the quality of its work in the future.</p>
<p>3.1 The corporate secretary of the Company carries out effective interaction with the shareholders, coordinates the Company's actions to protect the rights and interests of shareholders, supports the effective work of the Board of Directors.</p>	<p>1. The Company adopted and disclosed an internal document – Regulations for Corporate Secretary.</p> <p>2. The Company's website and the annual report provide biographical information on the Corporate Secretary, with the same level of details as to the members of the Board of Directors and the executive management.</p>	<p>not complied</p>	<p>There is no position of the Corporate secretary in the Company. Functions of the Corporate secretary are performed by the secretary of the Board of Directors who is appointed and dismissed by a decision of the Board of Directors.</p>
<p>3.1.1 The corporate secretary has the knowledge, experience and qualification, sufficient for the execution of his/her duties, impeccable reputation and trust of shareholders.</p>	<p>1. The Board of Directors approves the appointment, dismissal and the additional remuneration of the corporate secretary.</p>	<p>not complied</p>	<p>There is no position of the Corporate secretary in the Company. Functions of the Corporate secretary are performed by the secretary of the Board of Directors who is appointed and dismissed by a decision of the Board of Directors.</p>
<p>3.1.2 The corporate secretary has sufficient independence from the executive bodies of the Company and has the necessary authorities and resources to carry out his/her tasks.</p>	<p>1. The Company adopted an internal document (s) – the policy (policies) on remuneration of members of the Board of Directors, executive bodies and other key executives, where approaches to the remuneration of these persons are clearly defined.</p>	<p>complied</p>	<p>There is no position of the Corporate secretary in the Company. Functions of the Corporate secretary are performed by the secretary of the Board of Directors who is appointed and dismissed by a decision of the Board of Directors.</p>
<p>4.1 Remuneration paid by the Company is sufficient for attracting, motivating and retaining persons with competence and qualification necessary for the Company. Remuneration payment to members of the Board of Directors, executive bodies and other key management employees of the Company is made in accordance with the remuneration policy in the Company.</p>	<p>1. The level of remuneration provided by the Company to the members of the Board of Directors, executive bodies and other key executives, is sufficient motivation for them to work effectively, allowing the Company to</p>	<p>complied</p>	<p>There is no position of the Corporate secretary in the Company. Functions of the Corporate secretary are performed by the secretary of the Board of Directors who is appointed and dismissed by a decision of the Board of Directors.</p>
<p>4.1.1 The level of remuneration provided by the Company to the members of the Board of Directors, executive bodies and other key executives, is sufficient motivation for them to work effectively, allowing the Company to</p>	<p>1. The Company adopted an internal document (s) – the policy (policies) on remuneration of members of the Board of Directors, executive bodies and other key executives, where approaches to the remuneration of these persons are clearly defined.</p>	<p>complied</p>	<p>There is no position of the Corporate secretary in the Company. Functions of the Corporate secretary are performed by the secretary of the Board of Directors who is appointed and dismissed by a decision of the Board of Directors.</p>

attract and retain competent and qualified specialists. Whereas the Company avoids over-remuneration, as well as unjustifiably large gap between the levels of remuneration of such officials and employees of the Company.

4.1.2	The Company's remuneration policy is developed by the remuneration committee and approved by the Board of Directors. The Board of Directors, supported by the remuneration committee, monitors the introduction and implementation of the Company's remuneration policy, and if necessary - reviews and makes amendments to it.	1. During the reporting period, the remuneration committee reviewed the policy (policies) on remuneration and practice of their implementation and, if necessary, made certain recommendations to the Board of Directors.	not complied	There is no remuneration policy in the Company. Development of principles and criteria for the remuneration of the members of the Board of Directors, executive bodies and other key executives of the Company is carried out by the committee of the Board on nominations and remuneration based on the Provision on Committee on HR and remuneration of the Board of Directors of Synergy PJSC.
4.1.3	The Company's remuneration policy contains transparent mechanisms for determining the remuneration of the members of the Board of Directors, executive bodies and other key executives of the Company, and regulates all types of payments, benefits and privileges provided to such persons.	1. The Company's policy (policies) contains (contain) transparent mechanisms for determining the remuneration of the members of the Board of Directors, executive bodies and other key executives of the company, and regulates (regulate) all kinds of payments, benefits and privileges provided to such persons.	not complied	There is no remuneration policy in the Company. Development of principles and criteria for the remuneration of the members of the Board of Directors, executive bodies and other key executives of the Company is carried out by the committee of the Board on nominations and remuneration based on the Provision on Committee on HR and remuneration of the Board of Directors of Synergy PJSC.
4.1.4	The Company determines the remuneration (compensation) policy specifying the list of reimbursable expenses and the level of service, for which the members of the Board of Directors, executive bodies and other key executives of the Company may be eligible. This policy can be part of the Company's remuneration policy.	1. The remuneration policy (policies) or other internal documents of the Company establish reimbursement rules for the Board members, executive bodies and other key executives of the Company.	not complied	Terms of reimbursement for the Board members, executive bodies and other key executives of the Company are established by the Board of Directors' Committee on HR and remuneration in accordance with the Provision on committee for HR and remuneration of the Board of Directors of Synergy PJSC.

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#### **4.2 The remuneration system for members of the Board of Directors ensures the rapprochement between financial interests of directors and long-term financial interests of shareholders**

4.2.1 The Company pays fixed annual remuneration to the members of the Board of Directors. The Company does not pay a fee for participation in certain meetings of the Board or Board committees.

The Company does not use the short-term form of motivation and additional material incentives for the members of the Board of Directors.

not complied

In the reporting year, remuneration to members of the Board of Directors was not paid.

4.2.2 The long-term ownership of shares of the Company mostly unified the financial interests of the members of the Board of Directors with the long-term interests of shareholders. Whereas the Company does not stipulate the right to sell shares with the achievement of certain performance indicators, and the Board members do not participate in option programs.

1. If an internal document (s) – the Company's remuneration policy (policies) include the provision of the Company's shares to the members of the Board of Directors, clear rules of ownership of shares by the Board members should be provided and disclosed, aimed at promoting long-term ownership of such shares.

4.2.3 The Company does not provide any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with the transfer of control over the company or other circumstances.

1. The Company does not provide any additional payments or compensations in case of early termination of powers of the members of the Board of Directors in connection with the transfer of control over the company or other circumstances.

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#### **4.3 The remuneration system for executive bodies and other key management employees of the Company provides for the dependence of remuneration on the results of Company's operations and their personal contribution to this result.**

4.3.1 Remuneration for executive bodies and other key executives of the Company is determined in such a way as to provide a reasonable and informed ratio of the fixed remuneration and variable remuneration, depending on the results of the Company and personal (individual) employee's contribution to the final result.

not complied

During the reporting year, remuneration for executive bodies and other key executives of the Company was not paid.

1. During the reporting period, annual performance indicators approved by the Board of Directors were used in determining the amount of variable compensation for the members of executive bodies and other key executives of the Company.  
2. During the last assessment of the remuneration system for the members of executive bodies and other key executives of the Company, the Board of Directors (the compensation committee) made sure that the Company used the effective ratio of the fixed and variable remuneration parts.

3. The Company has a procedure that provides a return of bonuses, unlawfully obtained by the members of executive bodies and other key executives of the company, to the Company.

4.3.2	<p>The Company implemented a long-term incentive program for the members of executive bodies and other key executives of the Company with use of the company's shares (options or other derivative financial instruments with the Company's shares as the basic asset).</p> <p>1. The Company implemented a long-term incentive program for the members of executive bodies and other key executives of the Company with use of the company's shares (financial instruments based on shares of the Company).</p> <p>2. The program for the long-term incentives for the members of executive bodies and other key executives of the company implies that the right to sell shares and other financial instruments used in such a program does not begin earlier than three years from the date of their provision. In this case the right to implement them occurs upon achievement of certain performance indicators of the Company.</p>	not complied	<p>Currently, there is no long-term incentive program for the members of executive bodies and other key executives of the Company with use of the Company's shares (financial instruments based on the Company's shares) in the Company.</p>
4.3.3	<p>The amount of compensation (golden parachute), paid by the Company in case of early termination of powers of the members of executive bodies or key executives at the initiative of the Company and in the absence of their unfair actions, does not exceed double fixed part of the annual remuneration.</p>	not complied	<p>Payment of the compensation (golden parachutes) paid by the Company in case of early termination of powers of the members of executive bodies or key executives at the initiative of the Company, is not stipulated in the internal documents of the Company</p>
5.1	<p><b>The Company has created an efficient risk management and internal control system aimed to ensuring the reasonable reliability in attaining goals set to the Company.</b></p>	partially complied	<p>The risk management and internal control system is based on interaction between Company's management bodies, its structural divisions and individual employees as well as division of their competences.</p>
5.1.1	<p>The Board of Directors determined principles and approaches to the organization of the risk management and internal control system in the Company.</p>	partially complied	<p>1. The functions of the various management bodies and the Company's divisions in the risk management and internal control systems are clearly defined in the internal documents and/or respective company policies approved by the Board of Directors.</p>

<p>5.1.2 Executive bodies ensure creation and maintenance of the effective system of risk management and internal control in the Company.</p>	<p>1. The executive bodies of the Company ensured distribution of functions and responsibilities in respect of risk management and internal control between accountable managers of units and departments.</p>	<p>complied</p>
<p>5.1.3 The risk management and internal control system in the Company provides an objective, fair and clear picture of the current state and prospects of the Company, integrity and transparency of the Company's statements, the reasonableness and acceptability of the risks taken by Company.</p>	<p>1. The Company approved the anti-corruption policy. 2. The Company organized an easy way to inform the Board of Directors or the audit committee of the Board of Directors on violations of the legislation, internal procedures, the code of ethics of the Company.</p>	<p>partially complied</p> <p>The anti-corruption policy is not approved by the Company. Coordination of activities of employees of the structural units of the Company aimed at prevention, detection and suppression of unlawful acts of fraud and corruption is conducted by the Company's security department. The Board of Directors is informed on the facts of violations of the law and internal procedures of the Company.</p>
<p>5.1.4 The Board of Directors takes the necessary measures to ensure that the current system of risk management and internal control in the Company meets certain principles and approaches as for its organization and effective functioning defined by the Board of Directors.</p>	<p>1. During the reporting period, the Board of Directors or the audit committee of the Board of Directors has evaluated the effectiveness of the risk management and internal control systems of the Company. Information on the main results of this evaluation is included in the Company's annual report.</p>	<p>complied</p>
<p><b>5.2 For systemic independent assessment of reliability and effectiveness of the risk management and internal control system and corporate management practice, the Company organizes internal audit.</b></p>		
<p>5.2.1 To conduct an internal audit in the Company, a separate structural unit was created or an independent external organization was engaged. Functional and administrative accountability of the internal audit unit is separated. The functional unit of the internal audit is accountable to the Board of Directors.</p>	<p>1. To conduct an internal audit in the Company, a separate structural unit for internal audit was created, which is functionally accountable to the Board of Directors or the audit committee, or an independent external organization with the same principle of accountability was engaged.</p>	<p>complied</p>

<p>5.2.2 The internal audit unit performs evaluation of the effectiveness of the internal control system, the risk management system, as well as the corporate governance system. The Company uses generally acknowledged standards for internal audits.</p>	<p>1. During the reporting period, the internal audit assessed the effectiveness of the internal control and risk management systems. 2. The Company uses generally acknowledged approaches to internal control and risk management.</p>	<p>complied</p>
<p><b>6.1 The Company and its activities are transparent for shareholders, investors and other persons concerned.</b></p>		
<p>6.1.1 The Company developed and implemented the information policy to ensure the effective information interaction among the Company, its shareholders, investors, and other stakeholders.</p>	<p>1. The Board of Directors approved the Company's information policy, developed in view of the recommendations of the Code. 2. The Board of Directors (or one of its committees) discussed issues related to the Company's compliance with its information policy at least once during the reporting period.</p>	<p>partially complied</p>
<p>6.1.2 The Company discloses information on the system and practice of the corporate governance, including detailed information on the implementation of the principles and recommendations of the Code.</p>	<p>1. The Company discloses information on the system of the corporate governance in the Company and the general principles of corporate governance used in the Company, including the information placed on the Company's website. 2. The Company discloses information on the composition of executive bodies and the Board of Directors, independence of the Board members and their membership in the committees of the Board of Directors (as defined in the Code). 3. If there is a person who controls the Company, the Company publishes a memorandum of the controlling person as to the plans of the person for the corporate governance in the Company.</p>	<p>complied</p>
<p><b>6.2 The Company timely discloses full, accurate and reliable information on the Company to ensure the possibility of taking reasonable relations by Company's shareholders and investors.</b></p>		
<p>6.2.1 The Company discloses information in accordance with the principles of regularity, consistency and operability, as well as the availability, accuracy, completeness and comparability of the disclosed data.</p>	<p>1. The Company's information policy defines approaches and criteria to define the information that could materially affect the assessment of the Company and the value of its securities, as well as the procedures to ensure timely disclosure of such information. 2. If the securities of the Company are traded on foreign organized markets, the disclosure of</p>	<p>partially complied</p>
<p>The Company discloses information in accordance with the principles of regularity, consistency and operability, as well as the availability, accuracy, completeness and comparability of the disclosed data. The approaches and criteria of the Information Policy are developed.</p>		

material information in the Russian Federation and in such markets is done synchronously and equivalently during the year.

3. If foreign shareholders own a significant amount of shares of the Company, then during the reporting year the disclosure of the information was carried out not only in Russian, but also in one of the most common foreign languages.

<p>6.2.2 The Company avoids a formal approach to the disclosure of information and reveals significant information on its activities, even if the disclosure is not required by law.</p>	<p>1. During the reporting period, the Company disclosed the annual and semi-annual financial statements prepared under IFRS standards. The annual report of the Company for the reporting period included the annual financial statements prepared in accordance with IFRS standards, and the auditor's report.</p> <p>2. The Company discloses full information on the Company's capital structure in accordance with Recommendation 290 of the Code in the annual report and on the Company's website.</p>	<p>partially complied</p> <p>The Company avoids a formal approach to the disclosure of information and reveals significant information on its activities. The annual report of the Company for the reporting period included figures from the annual financial statements prepared according to IFRS standards, the auditor's report is disclosed as part of the annual financial statements prepared in accordance with IFRS standards, and the quarterly report.</p>
<p>6.2.3 The annual report, being one of the most important tools of information interaction with shareholders and other stakeholders, contains information allowing to assess the results of the Company's activities for the year.</p>	<p>1. The Company's annual report provides information on the key aspects of the operations of the Company and its financial results</p> <p>2. The Company's annual report contains information on the environmental and social aspects of the Company.</p>	<p>complied</p>
<p><b>6.3 The Company provides information and documents upon requests of shareholders in accordance with the principles of equal access and non-onerousness.</b></p>		
<p>6.3.1 Provision of information and documents by the Company at requests of shareholders is made in accordance with the principles of equal access and non-onerousness.</p>	<p>1. The Company's information policy defines a non-burdensome procedure of providing shareholders with access to information, including information on the controlled legal entities, upon request of shareholders.</p>	<p>complied</p>
<p>6.3.2 When providing information to the Company's shareholders, the reasonable balance between the interests of specific shareholders and the interests of the Company, which is interested in the non-disclosure of the important</p>	<p>1. During the reporting period, the Company did not refuse to satisfy the shareholders' requests for information, or such refusals were justified.</p> <p>2. In cases determined by the Company's information policy, shareholders are notified of</p>	<p>complied</p>

commercial confidential information that may have a material impact on its competitiveness, should be maintained.

the confidential nature of the information and take the responsibility to preserve its confidentiality.

**7.1 Actions that significantly affect or may affect the structure of the share capital and the financial condition of the Company and, consequently, the position of shareholders (major corporate actions) are carried out under fair conditions that ensure compliance with the rights and interests of shareholders and other stakeholders.**

7.1.1 The recognized significant corporate actions are reorganization of the Company, the acquisition of 30% or more of voting shares (takeover), the Company's material transactions, increase or decrease in the authorized capital of the Company, implementation of the listing and delisting of the shares of the Company, as well as other actions that may lead to significant changes in the rights of shareholders or violation of their interests. The Company's Charter determines the list (criteria) of transactions or other actions, which are considered significant corporate actions and the consideration of which is in the competence of the Company's Board of Directors including as follows.

not complied

The Charter of the Company does not define the list of transactions or other actions that are considered significant corporate actions, decisions on such transactions and actions are taken in accordance with the Federal Law "On Joint-Stock Companies". In the future the Company plans to establish a list of transactions or other actions that are considered significant corporate actions and the criteria for their definition.

7.1.2 The Board of Directors plays a key role in making decisions or elaborating recommendations about significant corporate actions, the Board of Directors refers to the opinion of independent directors of the Company.

not complied

1. The Company has a procedure in accordance with which independent directors declare their opinions on significant corporate actions prior to their approval.

The Company's Charter does not define a list of transactions or other actions that are considered significant corporate actions. The procedure, according to which independent directors declare their opinions on significant corporate actions prior to their approval, is not envisaged in the Company's Charter and the Regulation on the Board of Directors. In the future the Company plans to establish a list of transactions or other actions that are considered significant corporate actions and the criteria for their definition.

<p>7.1.3 When making major corporate actions affecting the rights and legitimate interests of shareholders, equal conditions for all shareholders should be provided, and in cases when legal mechanisms aimed at protecting the rights of shareholders prove insufficient, further measures to protect the rights and legitimate interests of shareholders of the Company should be taken. Whereas the Company is governed not only by compliance with the formal requirements of the law, but also the principles of corporate governance set out in the Code.</p>	<p>1. The Company's Charter, taking into account the peculiarities of its activities, set lower criteria for classifying transactions of the Company as significant corporate actions than the minimum legal requirements.</p> <p>2. During the reporting period, all major corporate actions passed the approval process before their corresponding implementation.</p>	<p>When making major corporate actions affecting the rights and legitimate interests of shareholders, equal conditions for all the shareholders of the Company should be provided in accordance with the Russian legislation.</p>
<p>7.2 The Company ensures such a procedure for significant corporate actions that enables shareholders to timely receive full information on such actions, secures their possibility to impact such actions and guarantees observation and adequate level of protection of their rights during such actions.</p>	<p>1. During the reporting period, the Company promptly and thoroughly disclosed information on material corporate actions of Company, including the reasons and timing of such actions.</p>	<p>The Company's internal documents provide a procedure for engaging an independent assessor in cases stipulated by the Russian legislation. There were no major transactions and interested party transactions during the reporting year.</p>
<p>7.2.1 The information on taking significant corporate actions is disclosed with an explanation of the reasons, conditions and consequences of such actions.</p>	<p>1. During the reporting period, the Company promptly and thoroughly disclosed information on material corporate actions of Company, including the reasons and timing of such actions.</p>	<p>The Company's internal documents provide a procedure for engaging an independent assessor to determine the value of the property, alienated or acquired in a large transaction or an interested party transaction.</p> <p>2. The Company's internal documents provide a procedure for engaging an independent assessor to assess the cost of acquisition and redemption of the Company's shares.</p> <p>3. The Company's internal documents provide an extended list of reasons, why the members of the Board of Directors and other persons specified by the legislation are deemed interested in the transactions of the Company.</p>
<p>7.2.2 The rules and procedures relating to the implementation of significant corporate actions by the Company are set out in the internal documents of the Company.</p>	<p>1. The Company's internal documents provide a procedure to attract an independent assessor to determine the value of the property, alienated or acquired in a large transaction or an interested party transaction.</p> <p>2. The Company's internal documents provide a procedure for engaging an independent assessor to assess the cost of acquisition and redemption of the Company's shares.</p> <p>3. The Company's internal documents provide an extended list of reasons, why the members of the Board of Directors and other persons specified by the legislation are deemed interested in the transactions of the Company.</p>	<p>The Company's internal documents provide a procedure for engaging an independent assessor in cases stipulated by the Russian legislation. There were no major transactions and interested party transactions during the reporting year.</p>

**BELUGA**

NOBLE RUSSIAN VODKA



Beluga. Noble bar

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The present annual report may contain statements that are or may be considered as forward-looking statements under the U.S. federal securities laws and foresee the protection provided by this "safe harbor" law. Examples of such forward-looking statements include Company's statements related to its preliminary estimates, forecasts, projections, strategies, plans, objectives, goals, prospects, preliminary estimates, intentions, assumptions and targets, including those relating to purchases, sales, products or services, results of activities, financial condition, liquidity, prospects and dividend policy; statements regarding the efficiency of Company's activities and the state of the industry in the future; other statements that are not based on strict accordance with the facts of the past or present; initial assumptions on which such statements are based.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a possibility that forecasts in these statements will not come true. Among other things, forward-looking statements are based on numerous initial assumptions concerning the present and future business strategy of Company's business activities, as well as concerning conditions under which the Company will operate in the future.

The readers of the report should keep in mind several important factors that could disrupt Company's initial assumptions and cause significant differences between the actual results of its activities and its preliminary estimates, forecasts, projections, strategies, plans, goals, objectives, prospects, preliminary calculations, intentions, assumptions and targets stated in such forward looking statements. These factors include: changes in political, social, legal and economic conditions in Russia as a whole or in those regions of Russia where the Company operates, including changes in the level of

consumer spending and demand for some or all of its products; changes in consumer preferences and tastes, demographic trends or views on risk factors concerning the health status; increasing commodity and price pressure from competitors, as well as their unexpected actions that could result in the loss of its market share, increase of costs and reduction of Company's growth potential; the Company's current and future ability to carry out a merger, to achieve equity participation in companies, to buy and sell the companies, to integrate, to achieve anticipated synergies and/or cost reduction; expenditure levels of the Company and those of its competitors to carry out marketing and advertising, as well as implementation of technical innovations; the Company's ability to protect its intellectual property rights; the growing awareness of the producer's responsibility for the quality of its products and for harm done to an individual's health in Russia; changes in the legislation and regulation as well as in the policies of the Government of the Russian Federation and of the regional authorities, including changes in the legislation, policy and regulation concerning the consumption and advertising of alcoholic beverages along with their taxation; changes in raw materials and labour costs; renewal of distribution rights and distribution agreements on favourable terms after their expiry; technological developments that can affect the distribution of products; changes in financial and capital markets, including significant interest rate and foreign currency exchange rates fluctuations, which can make the Company's access to financing difficult or increase its cost, as well as affect the Company's financial activities; changes in accounting standards, accounting policies and practices; presence of skilled staff including the experts in the area of accounting; ability to identify other risks inherent in the Company's business and to manage the risks associated with the above mentioned factors.

This list of important factors is not exhaustive. The readers of the report should carefully weigh such factors and other uncertainties and events, especially when it comes to the political, economic, social and legal environment in which the Company operates. Such forward-looking statements reflect the situation current only for the date on which they were made, and the Company undertakes no obligation to add the latest data or revise any of these statements. The readers of the report should not place undue reliance on forward looking statements. The Company makes no representation or warranty and does not promise that the results envisaged by such forward-looking statements will be achieved, each of these forward-looking statements is only one version of many possible scenarios, which should not be considered as the most likely or usual version.

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