

ANNUAL
REPORT

12

SYNERGY

 **SYNERGY**
BRANDS WITH SPIRIT

EXPORT

BELUGA
FINEST



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COMPANY OVERVIEW

JSC «Synergy» (hereinafter: «Synergy», the «Synergy» Group of Companies, the Company) is one of the largest and the fastest growing companies in the Russian alcohol market with a market share of 15% in volume.

The Group was established in 1998, and since 2002 its strategy has been focused on the production of strong alcoholic beverages. JSC «Synergy» comprises 16 manufacturing companies including 7 distilleries strategically distributed throughout the territory of the Russian Federation. Over the years of its development, the company has amassed a diversified and well-balanced portfolio of national and local vodka brands and built its own federal distribution network. Today the company's brand portfolio includes such well-known marks as «Beluga», «Veda», «Belenkaya», «Myagkov», «Gosudarev Zakaz». Since 2008 the company has actively developed the export of its superpremium «Beluga» vodka. The company's distribution system, with over 2,000 employees, is one of the most effective in Russia.

All of the above made «Synergy» one of the Russia's leading spirits manufacturers benefiting both from current tendencies in the strong spirits consumption structure and the industry's long-term trends. Aiming for leadership positions in Russia, the company is committed to developing its key competencies — marketing and distribution of its trademarks, extensively relying on creativity and innovation.

Possessing top-level competencies in all aspects of alcohol manufacturing and distribution, the Company intends to increase consistently its market share due to organic growth, selective merger and acquisition deals and the launch of other categories of strong alcoholic beverages.

In 2011, «Synergy» concluded a five-year exclusive agreement with one of the leading global whiskey manufacturers — «William Grant & Sons», which enabled the Group to enter the fast growing market segment of premium alcohol. The products of «William Grant & Sons» have seamlessly integrated into «Synergy's» product portfolio, increasing its presence in premium categories.

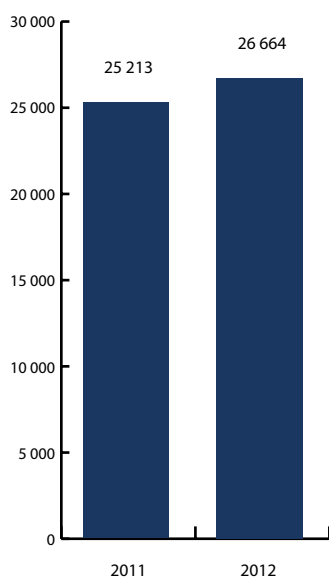
COMPANY OVERVIEW

Key Output Indicators

Spirits Sales Overview (Generalized information of all operating press releases in 2011)

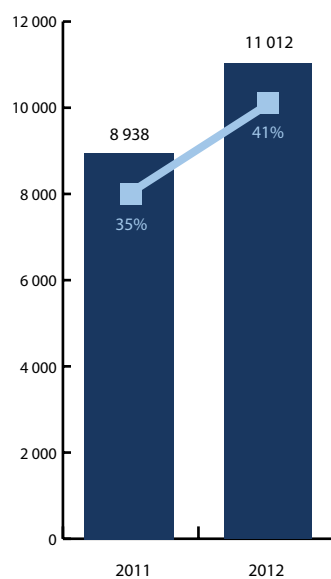
Sales, '000 decaliters ¹	2011	2012	% change
Aggregate annual volume	13 807	14 306	4
1 quarter	2 397	2 717	13
2 quarter	3 139	3 446	10
3 quarter	3 377	3 148	-7
4 quarter	4 893	4 993	2

Revenue, mln. RUR



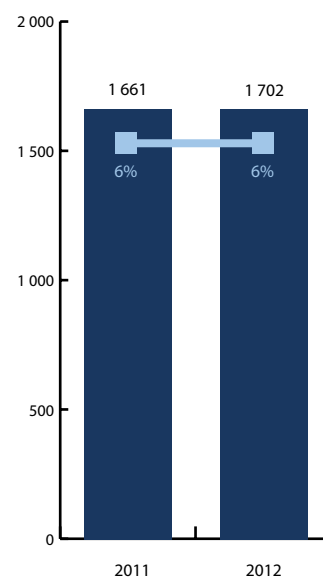
Revenue, mln RUR

Gross profit, mln. RUR



Gross profit
Gross margin

Net income, mln. RUR



Net income
Net margin

¹ 1 decaliter is 10 liters

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BRANDS



«Synergy's» portfolio of national brands is well balanced and diversified. It comprises seven carefully selected brands, including six vodka brands and one brandy. The national brands are represented by trademarks with decades-long history with many of them having successfully taken their share in fast growing price segments of the vodka market. The national brands are marketed, distributed and sold throughout the Russian Federation. Each of these brands is highly sought after by consumers and targets one of the key market segments ranging from the super-premium to the mid-price ones, which ensures in aggregate a high overall yield of the company's national portfolio. «Synergy» also operates several regional brands sold and produced only in the regions where «Synergy's» manufacturing businesses are located.

As a manager of its brand portfolio, the company places high emphasis on one of the core marketing functions – branding, to be specific, brand marketing, innovation and brand restyling encouraging existing customer retention and new business development. Each of «Synergy's» brands has its own, clear-cut features and character and unique positioning.

«Beluga» vodka is the company's leading brand, No.1 in the superpremium and the ultra-premium price segments — the fastest growing price segments of the vodka market. «Beluga» vodka is associated with luxury and dignity, has a balanced taste and excellent organoleptical properties ensured by compliance with high internal production standards. This vodka owes its unique composition not only to highest-quality malt alcohol and artesian water, but also to the recipe devised by our experts as a result of their careful years-long work. In 2011, «Synergy» made a significant contribution to the «Beluga» family with two new SKUs: «Beluga transatlantic Racing» and «Beluga Allure». In 2012 «Beluga Transatlantic Racing» and «Beluga Allure» keep on getting new fans

After the purchase of the «Myagkov» brand in April 2008, «Synergy» became one of the leaders of the Russian sub-premium segment. «Myagkov» vodka is an excellent suits perfectly for social events; it is perfect for parties and very popular among young people LEAD an active lifestyle. The graceful and streamlined design of «Myagkov» vodka was developed by a famous Italian designer. the exterior of its bottle combines grace, simplicity and high-tech. Each design element is unique which protects the buyer from possible fakes.

BRANDS



Today the company produces 4 types of «Myagkov» vodka: «Myagkov», «Classic», «Silver», «Cranberry and Lemon».

Brand «Myagkov» is one of the leaders in the sub-premium price segment in Russia. Brand has the stylish design, extremely mild flavor and a modern approach to marketing communications. «Myagkov» is the soft vodka with a delicate flavour for those who want to be in the center of current and significant events. Vodka «Myagkov» is produced in accordance with unique and innovative technologies.

Use of natural water and natural ingredients as the components gives vodka that unique soft and light taste, for which it is appreciated by consumers. Variety of tastes «Myagkov» is perfect for any parties and friendly meetings. The assortment of the brand «Myagkov» consists of two types of vodka – «Myagkov» and «Myagkov Silver», as well as two bitter extracts - «Myagkov» with a taste of cranberry and «Myagkov Lemon».

Contemporary extracts and liqueurs «Myagkov» with the strength up to 20% is one of the most important trend in the development of brand line. In 2012 were released two new flavors: sweet extract «Myagkov Ashberry» with cognac and liqueur «Myagkov Cappuccino».

Brand «Belenkaya» is one of the leaders in the vodka market in Russia. This brand has gained its popularity among consumers due to its rational advantages: quality standards which are used in the production technology of «Belenkaya» are higher than the standards proposed by state regulation (GOST); «Belenkaya» has a mild flavor, which is achieved by means of the high purity degree of vodka through 13 meters of a charcoal filter. Today, «Belenkaya» is a modern brand that is armed with innovative technologies, and also honors many years of tradition in the branch for the production of high quality product.

Brand assortment includes 4 types of vodka: «Belenkaya», «Belenkaya Lux», «Belenkaya Gold», «Belenkaya Cedar». Brand has ambitious plans to expand and strengthen the portfolio, especially in the creation of more premium products, the main task of the release of which will be the increase of profitability of the brand.

BRANDS



After the restyling vodka «Gosudarev Zakaz» establish itself as a leader in the lower price segment. According to the authoritative rating «The Millioners Club», vodka «Gosudarev Zakaz» has significantly strengthened its position in the market in 2012, and took the first place in Russia for the speed of increase in sales. «Gosudarev Zakaz» is gaining more and more customers due to high quality products, inheriting the imperial, «sovereign» traditions of preparation which imply the highest degree of purity of vodka.

«Synergy» is actively working in the vodka segment in spirit market and in the category of brandy. It should be noted that the brandy market is the second largest in Russia after the vodka market. Developing its own brand «Gold Reserve», the company has strengthened its positions and entered the top ten producers of brandy in Russia. «Gold Reserve» is made in a classic style with the use of cognac spirits from France in one of the growing categories – whiskey «Fox & Dogs».

At the end of 2012, the Company launched its own brand in one of the growing categories - whiskey «Fox & Dogs». Fox&Dogs whiskey production is executed at the manufacturing facilities of «William Grant&Sons» company, one of the world's whiskey market leaders, which guarantees high quality of products. The taste of whiskey «Fox & Dogs» has been specially developed by the masters of blending of the company «William Grant & Sons» with consideration of the Russian consumers' preferences, and the malt and grain spirit for blending is produced at the best distilleries of this company respected worldwide.

FOX & DOGS
BLENDED SCOTCH WHISKY



FLAVOR HUNT

Incredible flavor and fragrance of Scottish whiskey Fox & Dogs is a pure pleasure for those who like this noble drink: some people likes it's salt fragrance, some shares with it a flame of night party, third part shares with it summer nights coolness. For some people it is just a favorable whiskey.



ALCOHOL OVERCONSUMPTION
HARMS YOUR HEALTH

BELUGA

Vodka «Beluga» is the leader in the segment of super and ultra-premium kinds of vodka in Russia in terms of sales. «Beluga» is produced at Mariinsky distillery, founded in 1900. Vodka «Beluga» is actively promoted in export markets in Europe, Asia, the USA, Canada, the Middle East and is sold in more than 60 countries and 70 airports. Number of countries and markets is constantly growing due to marketing activities and an integrated approach to brand-building. Today the assortment of «Beluga» consists of 4 products.

«**Beluga Noble**» is the flagship product in the family of brand «Beluga». Due to unique technologies of production, combining with innovations and age-old traditions, taste of «Beluga Noble» acquires its unique softness. All the ingredients undergo the strict system of purification and filtration that guarantees the highest level of quality of the final product.

«**Beluga Transatlantic Racing**» is the limited edition of vodka «Beluga», created in honor of our yachting team that took part and made series of brilliant victories at the most prestigious world championships of yachting. The unique formula, that is the basis for production of «Beluga Transatlantic Racing», requires the addition of the traditional for vodka «Beluga» barley malt and strawberry extract, which makes its taste particularly soft, clean and elegant.

«**Beluga Allure**» is the collection series of vodka «Beluga», created in honor of our team in horse polo that made a series of victories in major championships of world importance. «Beluga Allure» is the personification of aristocracy and nobility inherent in this royal sport, bordering on art. We are proud of our team and this pride we have embodied in the soft and aristocratic taste of «Beluga Allure».

«**Beluga Gold Line**» is the limited edition for those who truly appreciate luxury. «Beluga Gold Line» is available in a limited edition, where each bottle has its own serial number. Harmonious, solemnly noble flavor of this vodka is the result of long creative search of our technologists, tasters and masters of blending.



BELUGA



VEDA

Водка «Veda» is modern high class vodka, produced by a combination of traditional technologies and the unique «double ice filtering» method. This is what distinguishes «Veda» from all other brands. «Synergy» launched production of the premium vodka «Veda» in 2004, and thanks to the dynamic growth of the brand and the adoption of a proper strategy for success, «Veda» became the second most popular premium vodka within three years.

Customers consider «Veda» to be an innovation product, made possible through the use of the mostmodern technologies. That's why the company has created the separate Hi-End category for «Veda» — vodka of the highest quality. Veda is now produced in some of most modern and technologically advanced factories in Russia, such as the Mariinsky Liqueur-Vodka plant in Siberia, owned by the «Synergy» Company.



VEDA



MYAGKOV

«Myagkov» is one of the key brands in the subpremium segment of the Russian market.

«Myagkov» stands out by its exceptionally smooth taste, which customers greatly value.

In December, 2011 «Myagkov» added the new taste in the collection of extracts «Myagkov Ashberry with cognac». In 2012, this speciality continues to win new audience. Sweet extract with cognac has a bright, incomparable delicate taste - harmony of ashberry with cognac gives the extract gentle sweet and sour taste with a slight astringency.

For the production of sweet extract «Myagkov Ashberry with cognac» the ashberry is collected in the forests of midland of Russia, and cinnamon is delivered by special orders from Asia. Cognac is ripened for at least 5 years in oak barrels.



MYAGKOV



BELENKAYA

«**Belenkaya**» is one of the leaders in the spirit market in Russia. Saving the traditions of production and observing strict requirements to the quality, when every drop of vodka «Belenkaya» passes through the carbon filter of 13 meters, our product continues to take the place in the hearts of true connoisseurs and remains true to its basic characteristics — unsurpassed purity and original taste.

According to the authoritative edition «IWSR Magazine», the brand «Belenkaya» is the most fast-growing vodka in Russia! The magazine published a study in the issue for July, 2012.

According to the study, «Belenkaya» showed the strong growth in 2011 + 43% in relation to 2010, and thus achieved sales volume of 6,791 million of 9 decalitre cases. The unique character of this super-success is explained by the fact that the brand is growing due to the Russian domestic market which is stagnating!

In addition, «Belenkaya» took the 7th place (the 10th place in 2011) in the consolidated vodka rating «Millionaires Club in 2012» among 30 of the world the best-selling vodka brands (Top 30 Vodkas). The data of rating are annually published by the leading international magazine of spirit drinks «Drinks International» **.

* according to «IWSR Magazine», July, 2012

** according to «Drinks International» 2012



BELENKAYA



GOSUDAREV ZAKAZ

Brand «Gosudarev zakaz» is the acknowledged leader in the lower price segment in the Russian vodka market. After a restyling in 2012 products brand sales growth was 22% for the year, making the brand's sales again exceeded one million decaliters annualized. According to the authoritative rankings «The Millioners Club», vodka «Sovereign Order» took first place in Russia and the second largest in the world in terms of sales growth among brands, whose sales exceed 1 million deciliters a year.

Brand «Gosudarev zakaz» is the acknowledged leader in the lower price segment at the Russian vodka market. After the products' restyling of 2012 sales growth of the brand was 22% at year-end, thereby sales of the brand exceeded 1 mln of deciliters again at an annual rate. According to the authoritative ranking «The Millioners Club», vodka «Gosudarev zakaz» took first place in Russia and the second place in the world in terms of sales growth among brands, whose sales exceed 1 million of deciliters per year.

Success of vodka «Gosudarev zakaz» in the market is explained not only with the more modern and premium package design but also with the high quality of products inheriting the imperial, «sovereign» production traditions which imply the highest degree of purity of vodka. Its high quality vodka «Gosudarev zakaz» gets due to many steps of filtration and the use of special food additive to neutralize the toxic components.

Numerous protection against forgery, high degree of purification, crystal clarity of vodka «Gosudarev zakaz» in addition to affordable price provide high rates of growth in the Russian market and the growing popularity among consumers.



GOSUDAREV ZAKAZ



ZOLOTOY REZERV

«Golden Reserve» brandy is a product of both the centuries long traditions of France's brandy masters and combines modern technologies of the twentyfirst century. The best cognac grains are selected with careful nuances of blending, arrived at through long experience, are the basis of «Golden Reserve». It's deep, fresh taste and attractive, enduring aroma are obtained by using French cognac grains and, thanks to its 5 years cask-aging process, «Golden Reserve» has become one of the most popular brands in Russia.

«Golden Reserve» is a new strong player in the market of Russian brandy. Annual increase in sales of about 70 %, allowed the brand to enter the top ten largest producers of brandy in Russia. To achieve this goal the assortment was expanded, producers began to use the cork plug and poly laminate run-in on the bottleneck. After a few months, «Golden Reserve» brandy will begin to be produced in a new exclusive bottle that will be a natural constant development and respect for the consumer. All changes with brandy are held within the main ideas of the development of the brand - «loyalty to traditions and technological innovation».



ZOLOTOY REZERV



FOX&DOGS

Popularity of the Scotch blended whiskey in the Russian market is growing year by year, as evidenced by double figures of growth in import of this product. If to compare with the other categories of imported spirit, Scotch blended whiskey looks like a real driving force of the market.

Scotch blended whiskey «Fox & Dogs» is a proprietary trademark of the company «Synergy», the new offer of the classic Scotch whiskey, the taste of which is adapted to the taste of the Russian consumer; it has a high degree of softness and balance, that is, the properties which are the most popular among the clients. Whiskey «Fox & Dogs» is manufactured at the plants of one of the world's market leaders - the company «William Grant & Sons», with the direct participation of the famous masters of blending, which confirms the high quality of the products.

The outstanding feature of blending is the use of more than 20 types of malt spirits, whose average age is more than 5 years, as well as grain spirit, produced at one of the best grain distilleries in Scotland.

The original taste of whiskey «Fox & Dogs» is complemented with the bright product design that represents a quintessence of the famous Scottish legend, a simple, easy to remember name and has an affordable for the consumer price.



FOX&DOGS



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ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD



ALEXANDER
MECHETIN

CHAIRMAN
OF THE
MANAGEMENT
BOARD

Dear shareholders, partners and customers!

2012 was an important and intensive stage in the development of the Company. «Synergy» has set itself ambitious goals and tasks to expand and strengthen its position in the market of strong spirit. Company continued to implement its own verified strategy, as a result, despite the difficult market conditions, it has achieved an increase in sales of its products, market share, including in premium segments and categories. So, over the past year, sales growth of spiritic beverages in real measures amounted to 4%, growth in gross profit of an spirit segment was 21% with a simultaneous increase in the gross profit margin of 6%. Also note that the increase in revenue from sales of its own brands was 21%, and EBITDA index in the accounting period increased by 11%.

During the year, «Synergy» continued to improve operational and financial performance, strengthened its brands presence in all marketing channels. Taking into account the changing realities of the spiritic beverage market, the Company used the entire arsenal of marketing tools increasing the customers loyalty, which are buying products of «Synergy» for many years, and also attracted a group of new customers.

In addition to increasing domestic sales, the Company actively increased export operations particularly in super-premium segment, continuing to discover new marketing outlets for the flagship of its own brand portfolio - vodka «Beluga». thus, over the past year the number of states which present this brand increased to more than 50 countries. The total volume of export in the past year increased by 37%.

Another important component of the Company's activity in 2012 was building a portfolio of distributed brands. To production of «William Grant & Sons» were added brands of the world-known French cognac house «Camus», with whom «Synergy» has signed an exclusive distribution agreement for 5 years. Now, the company presents in Russia the whole line of cognac «Camus» («VS», «VSOP», «XO», «EXTRA», «BorderiesXO», «Traditional Vintages»), as well as brandy and calvados.

In 2012 the management team made a strategic decision to launch its own products in the category of whiskey, which is one of the fastest growing at the moment. Whiskey «Fox & Dogs», developed by the Company, is positioned in the middle price segment and is sold today on the territory of Russia. This high-quality product that is produced at home country of whiskey - in Scotland, has already won.

ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD

It's consumer and shows steady growth in sales.

It should be noted that last year the Company actively and effectively cooperated with public authorities (Federal Service for Spirit Market Regulation); it developed and implemented legislative initiatives aimed at improving the Russian market of strong spirits, setting transparent and competitive business rules thereon.

In conclusion, I would like to thank the management and all the employees of the Company who made efforts to achieve high economic and financial results of the «Synergy» in 2012. I also give thanks to our shareholders and partners for their support and belief in the potential of the Company. I am sure that our team, reputation and brand strength is the key for the further successful development of «Synergy» and its capitalization.

Alexander Mechetin
Chairman of the Management Board of JSC «Synergy»

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KEY EVENTS 2012



March

«Synergy» has signed an exclusive distribution agreement with French cognac house «Camus», one of the world leaders in the production of brandy.

According to a long-term contract, «Camus» cognac house brands are sold exclusively through distributive platform of «Synergy» on the territory of Russia. Portfolio of the world-known manufacturer of cognac, founded in 1863 and a member of the top-5 global leaders, is represented by cognac «Camus» («VS», «VSOP», «XO», «EXTRA»), exclusive and rare sort - «BorderiesXO», as well as a series of «Traditional Vintages». In addition, «Synergy» distributes such products of the cognac house as calvados «Berneroy», brandy «Boncourt XO» and «Chatelle Napoleon».



June

Brands «Belenkaya» and «Myagkov», included in the federal portfolio of the company brands, have occupied a high position in one of the most influential ratings «Millionaires Club Award» in 2012, which annually publishes the leading international magazine of spirit drinks «Drinks International».

«Belenkaya» took the 7th place (the 10th in 2011) in the consolidated vodka rating «Millionaires Club» 2012 among thirty of the world the best-selling vodka brands («Top 30 Vodkas»). Also, the brand took the third place (the 4th place in 2011) among the fastest, best-selling vodka in the world («Fastest Growing Vodkas»), and showed the growth of 43%.

In addition, in the list of 200 international spirits brands («Full Listing Top 200»), «Belenkaya» took the 30th position (the 42th in 2011).

Brand «Myagkov» took the 2nd place (the 4th place in 2011) of seven regional vodkas («Regional Vodkas»), and the 30th place among 30 fastest, best-selling vodkas in the world («Fastest Growing Vodkas»).

Brands of «Synergy» demonstrated its competitiveness and popularity, having entered the rating «Drinks International» and having received an international certificate of achievement of the company in the manufacture and sale of spiritic beverages.



KEY EVENTS 2012



November

«Synergy» won the «Company of 2012» Prize in the nomination «Spirit Industry». This award was established and is presented annually by the holding «RosBusinessConsulting» for over 12 years.

On November 27th in Gostinyi dvor took place the business reception on the occasion of presenting the National Award for «Company of 2012». At the award ceremony were announced its winners - the best Russian enterprises with high performance in industry, finance and services. The event was attended by representatives of the government, businessmen, chief executives of the social and cultural elite of the country.



Thus, the «Synergy» has received a high objective appraisal of its achievements and confirmation of its leading positions in the Russian spirit market.



5

STRATEGY



«Synergy's» strategic goal is to establish a leadership position in the Russian alcohol market. Besides that, another goal pursued by the company is the widest possible international recognition and awareness of «Beluga» brand. Current market tendencies and conditions alongside with the company's own efforts promote further increase in output and gaining a significant market share. The tasks set by the company will be realized through expansion of direct distribution, strengthening of dedicated sales teams and increase of «Synergy's» brand awareness and exposure. The company is committed to be the leader in instilling the responsible spirits consumption culture in Russia.

Due to organic growth and individual merger and acquisition (M&A) transactions the Company aims to occupy 20-25% of the Russian legal vodka market. It shall be noted that today the company has a well-balanced portfolio of national brands embracing all price categories. The Company is focused on increasing its profits through premiumization of alcoholic product sales and through increasing its presence in the largest premium categories of hard liquor in Russia. Since 2002, «Synergy» has realized the policy of careful selection of brands to be sold through its federal distribution network, and now the company's brand portfolio comprises six vodka brands and one brandy. These marks are on sale and in good demand throughout Russia.

The development strategy followed by the company ensures its constantly growing overall performance, production cost optimization and consistent expansion of its product market. Moreover, the company considers strengthening its sales system through topping up its distribution portfolio with selected global international brands, which will facilitate its operating efficiency.

Developing its own trademarks in the brandy segment the Company plans to take over at least 10% of this market, the second largest segment of the Russian market of strong alcoholic beverages.

By reason of strong alcohol advertising restrictions, the company places strong emphasis on trade marketing activity and is committed to increasing the quality exposure of its brands on shelf. «Synergy» carefully monitors the format and the parameters of such product placement developing its distribution system, in particular, by increasing the number of exclusive sales teams.



6

MARKETING



Marketing holds a special place in the activity of the Company and is one of its core competencies. «Synergy» strives to continually improve the consumer appeal of its brand portfolio. Marketing team is in constant search for the new design solutions and improvement of the product's characteristics. This is an important component of a great work that aims to hold the leading positions of the Company.

In 2012, the law on absolute prohibition of advertising in mass media came into force. Because of this change, the company refocused the marketing strategy and supporting its brands in the commodity structure. Active trade-marketing programs for distributors, promotion in retail outlets, events for consumers - all of this allows not only maintaining but also increasing the level of brand loyalty.

Marketing of local brands

«Synergy» has a wide assortment of local brands. In accordance with the results of 2012 this segment of product portfolio gave more than 20% of total sales amount of the company. More than 50 brands are sold exclusively in their native territories - in regions where the factories are built. This strategy for formation of a local brand portfolio provides a steady demand, awareness and high loyalty. Buyers trust the products manufactured in factories in their native regions. Strong support of consumers allows minimizing marketing costs. To maintain a high level of loyalty, brand marketing implemented a complete restyling program for all the local brands. This was done to ensure that all local products meet current trends of brand design and are equal in their consumer characteristics to products which are sold at the federal level.



MARKETING



«BELUGA NOBLE» HAS BECOME THE PARTNER OF NOBEL PRIZE.

We knew that something special would happen in 2012! And it happened! «Beluga Noble» became the official partner of the Nobel Prize. Few people can boast that the brand name was inscribed in the history of the most respected and important award in the world. On December 10, 2012 in Stockholm people gathered from all over the world to honor the Nobel Laureates. But even here, where it would seem that everything is determined by more than a century of evolving traditions, «Beluga» was able to add something new. Of course, there were guests in tail-coats and diamonds, there was the traditional venison with cranberry sauce in a blue Town Hall, there was the royal family. But nobody expected to see a queue of half a thousand of people at the entry to «Nobel Night Cap», supported by «Beluga». Reception ended in the small hours and after a couple of hours the guests of «Grand Hotel Stockholm» exchanged phrases with admiration at the breakfast in the restaurant: «It was awesome!»



«Nobel Night Cap. Made with pride!»

In Sochi, with the support of vodka «Belenkaya» was made a formal reception in honor of the opening and closing of «Kinotavr-2012».



Hundreds of debutants, seven incredible rich competitive days, 15 movies and nine top prizes – in front of the jury, under the chairmanship of the People's artist of Russia - director Vladimir Hotinenko, was a difficult task. «Kinotavr» each year selects the authors not only at a national but also at international level - the winner of the XXIII Kinotavr was Pavel Ruminov with the soap opera «I will be there».

Under the brand name «Belenkaya» was made a formal reception of the movie festival.

As the jury conducts a rigorous selection of the best works, so each drop of «Belenkaya» is carefully filtered through the 13 meters carbon filter, thereby achieving high quality, exceeding the high requirements of Gosstandard.

«Belenkaya» has adequately supported the main cinema event of the year, becoming a kind of standard for those who aspire to be above the standards!



DISTRIBUTION



«Synergy» Group of Companies is effecting sales through one of the most extensive distribution networks in Russia: more than 140,000 outlets are covered by the company's specialists, 28,000 thousand of them are the key network sales outlets, 13,000 are the bars, restaurants, cafes and hotels. the distribution system comprises several complementary channels: direct sales including sales through own stores for retail in alcoholic beverages, sales through independent distributors, including sales through dedicated exclusive teams. Today, the sales team employs more than 3,650 people. Geography of the distribution network of the Company is divided into two parts: East and West. in the regions where the company's distilleries are located, «Synergy» uses its own trade personnel, own storage facilities and own transport fleet to deliver its products directly to points of sale.

Implementing the strategy of expanding the distribution network, the Company significantly increased the staff of specialists, engaged in promotion and sales of products. After JSC «Synergy» has developed and adopted its own standards of merchandising, to each of the key brands was secured a special place on the shelves. In this context, the main task of the sales representatives and merchandisers of the Company was the appropriate placement of products of JSC «Synergy» on the store shelves.

«Synergy» is the only spirit company in Russia, where the merchandising staff consists of 500 people. In 2012, «Synergy» used an innovative approach and launched a special system which allowed the Company to monitor the plan performance and to optimize the efficiency of allocation of its own forces.

Sales are now accompanied with the implementation of trade marketing program, in particular with motivational shares for partners and distribution of promotional materials in retail outlets: e.g. program focused on the motivation of outlets, putting the assortment of «Synergy» in the best place – the Golden Shelf. 10,000 retail outlets are involved in this action every month.

For every person involved in the sale of the Company's brands to understood the value of brands, the Company employs 15 professional trainers. Every day trainers organize master classes and give information about the uniqueness of brands. In addition to working with its own staff, the Company strengthens its position among bartenders, waiters and restaurateurs: 20 brand ambassadors are employed.

DISTRIBUTION AND IMPORT



Import

In March, 2012 was signed an exclusive distribution agreement with the company «CAMUS LA GRANDE MARQUE» S.A., one of the leaders in the production of strong premium spirit.

In accordance with the long-term contract, premium brands «CAMUS LA GRANDE Marque» SA will be exclusively sold through a distribution system of «Synergy» on the territory of Russia. Brand portfolio of the company «CAMUS LA GRANDE Marque» SA consists of such brands as cognac «CAMUS», brandy «Chatelle», wine «Montrouge», sparkling wine «Jacqueline», calvados «Berneroy».



Earlier, in 2011, the company «Synergy» signed a five-year agreement with «William Grants & Sons» - one of the leaders of the strong premium spirit. This agreement entered into force in July, 2011, and in August of the same year sales began to grow steadily. By the end of 2012 sales of the products in portfolio of «William Grants & Sons» showed growth and amounted to about 80,000 decaliters.



GRANT'S

The history of «Grant's» has began due to William Grant back in 1898 when he had created the first blend. 110 years later, «Grant's» whiskey is still made using traditional techniques, carefully handed down from generation to generation. With its rich, flavorful and balanced taste it is oblidged to Girvan grain whiskey, all versions in the line of «Grant's» are made based on it. It passes the vacuum distillation at relatively low temperature, which helps to preserve the light delicate notes in the final product.

The private team of professional staff coopers carefully keeps an eye on the state of the oak barrels, because thanks to technology of an additional ageing of the finished blending in barrels of different drinks «Grant's» gets new aromatic tones. And traditional technologies, recipe and cooking was carefully kept by each of the five generations of the family and come to us without any changes. «Grant's» is available in the legendary, easily recognizable triangular shaped bottle since 1957. All our brands have a balanced, harmonious taste - this is the unique style of «Grant's».



GRANT'S



GLENFIDDICH

The company's founder «William Grant & Sons» has forever changed the history of scotch. Even 125 years later, «Glenfiddich» is the most titled single malt Scotch whiskey in the world. Today, the assortment of «Glenfiddich» whiskey consists of 12 sorts.

12-year-old «Glenfiddich» — version that marked the beginning of single malt whiskey category with light fruity aroma, with subtle notes of young pear and oak.

15-year-old «Glenfiddich» - a single-malt whiskey with a rich bright honey spicy flavor.

18-year-old «Glenfiddich» — a single-malt whiskey with a mild and rich flavor, and “marriage” of spirits adds depth.

«Glenfiddich 14 Years Old richoak» – filled with spicy oak and vanilla tones.

«Glenfiddich 19 Years Old Age of Discovery» — black glass bottle decorated with red compass and packed in a gift box with an artistic print, telling about the travel routes of Portuguese sailors of the XV century.

«Malt Master» is the first whiskey with “double ageing” in two different types of oak cask.

«Cask of Dreams» — limited line of whiskey released specially for Russia.

«21 Years Old Gran Reserva» - aging in American oak casks gives the soft taste and after-ageing gives sweetish notes of iris, figs and vanilla.

«30 Years Old» - the taste is rich and harmonious, feeling creamy notes with a tinct of ripe banana it is impossible to forget it.

«Glenfiddich» 40 years Old — each year are produced not more than 600 copies.

«Glenfiddich» 50 Years Old – preserved freshness, fruity notes, unusual birchbark tone.



GLENFIDDICH



THE BALVENIE

«**The Balvenie**» - is the unique collection of single malt Scotch whiskey, created by the master David Stewart. Each type has its unique flavor: rich, soft, with bright notes of honey, characteristic only for «The Balvenie». The collection consists of eight tastes of single malt whiskey.

«**The Balvenie Double Wood 12 Years Old Whiskey**»,

«**The Balvenie Caribbean Cask 14 Years Old**»,

«**The Balvenie Single Barrel 15 Years Old**»,

«**The Balvenie Double Wood 17 Years Old**»,

«**The Balvenie Peated Cask 17 Years Old**»,

«**The Balvenie port Wood 21 Years Old**»,

«**The Balvenie TUN 1401 batch 5**»,

«**The Balvenie Thirty 30 Years Old**»,

«**The Balvenie Forty 40 Years Old**».

To create each batch of the drink, consisting of only 150 bottles, David Stewart carefully selected and then blended whiskey of the rarest casks stored at the distillery.

«**The Balvenie Fifty**» Aged in oak barrel from the European oak, that has previously stored sherry, and presented in a glass bottle blown manually, protected by wooden box.



THE BALVENIE



TULLAMORE DEW

«**Tullamore D.e.w.**» — is the premium blended Irish whiskey with a harmonious taste. For its production three kinds of whiskey are used: the so-called «whiskey of distilling tank», grain and single-malt whiskey. After the creation of the blend the drink is aged in special oak barrels to give it an even greater softness and that it would be appropriate in the future for all occasions, either for a meeting with friends or a dinner with the family. You can enjoy «Tullamore D.e.w.» You both in pure form and with ice or with soda and lime.

«**Clan MacGregor**» is the high-quality Scotch whisky «Clan MacGregor», which brings joy in more than 30 countries around the world; it proudly carries its symbol and the motto: «We are of royal descent». Today «Clan MacGregor» is one of the most popular blends in the UK. It is masterfully prepared from selected malt and grain Scotch whiskeys, and its fruity, light and fresh, balanced soft taste, appreciated by lovers of this drink. It is masterfully prepared from selected malt and grain Scotch whiskeys, and its fruity accents, lightness and freshness, balanced soft taste, is appreciated by lovers of this drink.

«**Monkey Shoulder**» is the new style in the world of Scotch whiskey. «Monkey Shoulder» is the original brand in the world of whiskey, where honoring the traditions is the norm. Despite its modern audacious style, this Scotch is created by immutable laws of the production of genuine Scotch drink.



TULLAMORE DEW



MILAGRO

Tequila «Milagro»

More than just tequila 100% blue agave - raw materials grow on the proprietary plantations, harvested by hand and baked in ceramic ovens. Triple distillation in small lots creates a drink with a light aroma and mild flavor. Sorts «Reposado» and «Anejo» are aged in oak barrels for longer than it is regular for the industry. Premium bottles are blown by a unique technology and processed manually.

The collection is of 6 tastes:

«**MILAGRO SILVER**» Notes of the blue agave, vegan and citrus notes and a spicy aftertaste.

«**MILAGRO RE POSADO**» Notes of the blue agave with hints of caramel and toast and a slight spicy aftertaste.

«**MILAGRO ANEJO**» Caramel and coconut with chocolate, tobacco and banana shades and sweet spicy aftertaste.

«**MILAGRO SELECT BARREL RESERVE SILVER**» - Bright taste of notes of blue agave and vanilla, dry spicy aftertaste.

«**MILAGRO SELECT BARREL RESERVE POSADO**» - Clear, with notes of vanilla, black pepper, cinnamon and dry aftertaste.

«**MILAGRO SELECT BARREL RESERVE ANEJO**» - Unsweetened chocolate, tobacco leaves, iris with bright notes of oak and dry aftertaste.



MILAGRO



HENDRICK'S

«Hendrick's» is the gin, which is made 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. «Hendrick's» is the only gin, at the production of which are used the distilling tanks of two types: tank Carter and copper distilling tank Bennett. Due to this fact the drink has an amazing bouquet and a unique character.



HENDRICK'S



CAMUS

Founded in 1863, family-owned company «**Camus**» has a unique portfolio of premium spiritic brands which are popular all over the world.

«Camus» refers to the history of the cognac house, which since 1863 was owned by five generations of one family, where from father to son was passed the exceptional skill of creating the outstanding cognacs with a unique, elegant style.

Fervor of devotion to duty, lasting for 150 years, continues due to Cyril Camus. True to its heritage, it preserves the independence and is the mastermind of what we call a Living Tradition.

Beginning in 1863, the family «Camus» creates cognacs of a unique style, which can satisfy the taste of the most demanding connoisseur of this noble drink. Thanks to continuously search for new flavors, the company «Camus» opened vineyards of Ole de Re, that allowed it to create a range of exclusive island cognacs.

The island Ole de Re is located not far from the western coast of France, in the department of Charente-Maritime. Located in the area of Bois Ordiner, the island is the westernmost part of the Appellation Cognac.

This series is produced exclusively from grape spirits from the island of Ole de Re, which have passed the process of distillation and ageing on the island. Thanks to the influence of the sea, rich in iodine from nature, cognac «Camus Ile de Re Cliffside Cellar» is characterized by a unique aroma and a fresh, dry taste.



CAMUS



PRODUCTION

«Synergy» group of companies controls 7 distilleries located — based on strategic Company interests — in the largest federal districts including Central, Far Eastern, Volga and Siberian districts. The number of distilleries and their geographic diversification provide additional savings for the Company in matters of logistics and also reduction of technological risks in production activities of the Company. It also facilitates aversion of other operational risks which some companies having only one production facility run occasionally. All 7 distilleries operate advanced German and Italian equipment with more than 15 million deciliters of total capacity. In 2010 equipment utilization comprised 77%.

Production programmes of all distilleries include output of the full range of federal brands and respective local brands with the exception of «Beluga» and «Veda» brands produced only at Mariinsk distillery in Siberia. «Synergy» distilleries are important component of the distribution system of the Group: they are actively used as large logistic centers in corresponding regions.



«**Traditsii kachestva distillery**», one of the largest hard liquor producers in Russia, is located in the city of Krasnoznamensk, Moscow region. This factory 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 uses advanced Italian equipment. The factory operates as large logistic and production center producing all national vodka brands of the Group in the whole western part of Russia up to Ural border.



«**Arkhangelsk Alviz**» distillery was founded in 1899 and is now the largest distillery in Arkhangelsk region. The factory was acquired by «Synergy» in 2004 and it is one of the leading hard liquor producers in the region. The distillery operates advanced high-performance German and Italian equipment.



Nizhny Novgorod «ROOM» distillery was founded in 1993 in Nizhny Novgorod and acquired by «Synergy» in 2006. The factory operates new Italian equipment. It is currently the leader of hard liquor production in Nizhny Novgorod region in terms of production volumes.

PRODUCTION



Perm «UralAlko» winery and distillery is the leading hard liquor producer, one of 50 largest factories in the region. It joined «Synergy» in 2003. The factory commenced its activities in 1968 and specialized initially in grape wine production and sales. The factory operates advanced German and Italian equipment. Besides, «UralAlko» is used as the distribution center for the Company products representing all national vodka brands of the Group in the Ural region of Russia.



«Ussuriiski balzam» — has been the leading factory in the alcohol industry of the Primorye Territory for more than 100 years. The factory joined «Synergy» in 2002. It was found in 1894 by Mikhail Pjankov, 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 serves as the logistic center performing production and distribution of the whole range of the Company products in Siberia. The factory joined «Synergy» in 2006. The distillery is located in environmentally sound area with no industrial facilities within a radius of 200 km.



«Khabarovsk» distillery founded in 1881, is the largest distillery in the Far East. The factory joined «Synergy» in 2005.

9

EXPORT OPERATIONS



The Company consistently pursues the strategy of promoting its number one super-premium brand «Beluga» in international markets. It implements a package of measures intended to expand the brand export geography, to raise the quality of distribution in existing foreign markets and build the brand's image and reputation.

As a part of its «Beluga» export strategy, the Company increased its presence in the international market. In 2010, the company's total volume of export operations rose by 35%. «Beluga» export sales went up 53% over the fiscal year.



In general, one of the main tasks of «Synergy» is to increase international brand awareness «Beluga», expansion of its distribution. At present, the company puts emphasis on five main directions of export: Europe, Asia, CIS, the USA and Canada. The beginning of vodka «Beluga» sales in the United Arab Emirates shows the productive results and promises good prospects in the Middle East in 2013. In 2012, «Synergy» has strengthened its position in Asia, it started to work in Mongolia, Thailand, South Korea, Taiwan and Indonesia. In 2013, the Company plans to start sales in China, Hong Kong and Malaysia. Export sales in Europe continue to grow; in 2012 brands of the Companies began to be sold in Finland, Sweden and Belgium.



For several years brand sales through this channel are successfully made in Frankfurt, London, Zurich, Dubai, Istanbul. In 2012 sales began in Paris, Warsaw, Antalya and Male (Maldives Islands). In the near future our company will expand the geography of Duty Free and will begin sales in the airports of Rome, Madrid, Larnaca. In the United States, which by virtue of a significant consumption of vodka of the super-premium segment are the strategic export market for the Company, we also expanded the frames of vodka «Beluga» by selling it in such states as California, Colorado, Illinois and New Jersey. It shall be noted that in 2012 the US became the third largest export market for «Beluga» vodka export sales after the CIS market and Duty free.



BELUGA



NOBLE RUSSIAN VODKA
DISTILLED AND BOTTLED IN RUSSIA



RUSSIAN DISTILLERY
COMPANY LLC

EXPORT

40% ALC/VOL

0.7 LITER

PENTA AGROGROUP STOCK CORPORATION

SYNERGY'S FOOD BUSINESS ASSETS



«Synergy» 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 assets of this business were separated from the spirits business of the Company and consolidated into a separate company — JSC «Penta» Agrogroup, which is a 100% owned subsidiary of «Synergy».

«Penta» Agrogroup 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.



Agriculture

JSC «Penta» Agrogroup is one of the leading agricultural companies in the Central Black Earth Region, where it has extensive agricultural holdings, cultivating around 100,000 hectares of high-quality farmland in the Saratov Region. According to the Saratov Region Ministry of Agriculture, «Penta» Agrogroup is the largest ploughland owner in the region. It should be noted that the Saratov Region, the same as the Central Black Earth Region of Russia where it belongs to, is notable for its fertile, rich in phosphorus and ammonia lands ensuring high yield of grain and other crops.

Land cultivation and harvesting are cluster-based and performed by several farms. The company operates a large fleet of up-to-date agricultural machinery sufficient for land cultivation using the company's own resources.



Dairy products

Dairy products are manufactured and sold primarily in the Primorsky and Khabarovsk Territories. The company's dairy assets include two manufacturing businesses: JSC «Ussuriisky» Milk Factory located in the city of Ussuriisk of the Primorsky Territory and JSC «DAKGOMZ» 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.

PENTA AGROGROUP STOCK CORPORATION

SYNERGY'S FOOD BUSINESS ASSETS



Meat processing

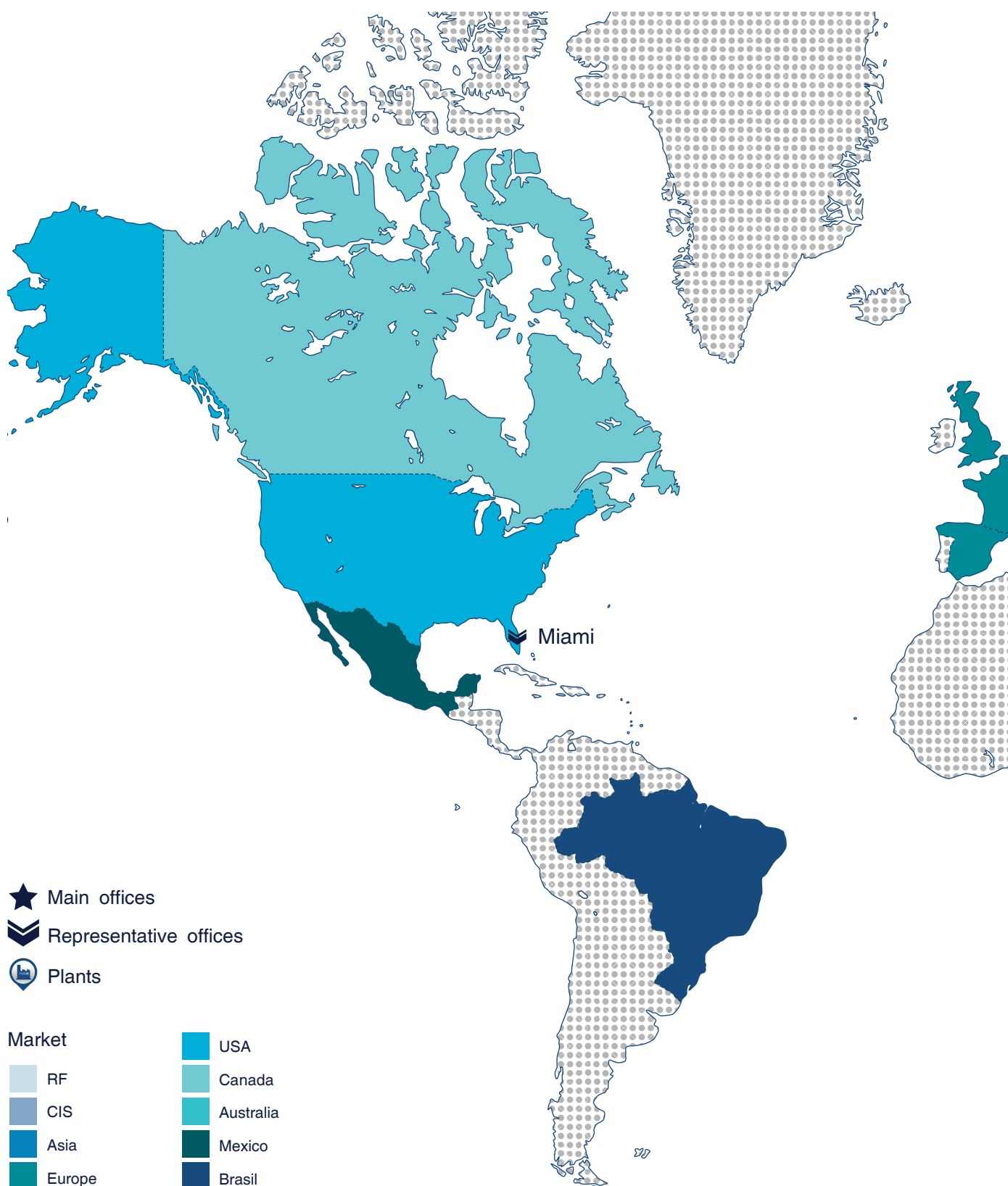
Meat products are produced by JSC «Meat Processing» Plant Nakhodkinsky in the city of Nakhodka, the Primorsky Territory, and are sold throughout the Far East. The plant produces a wide range of processed meat: cooked uncooked and semi-cooked sausages, ham, salami and prefabricated meat. The company is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

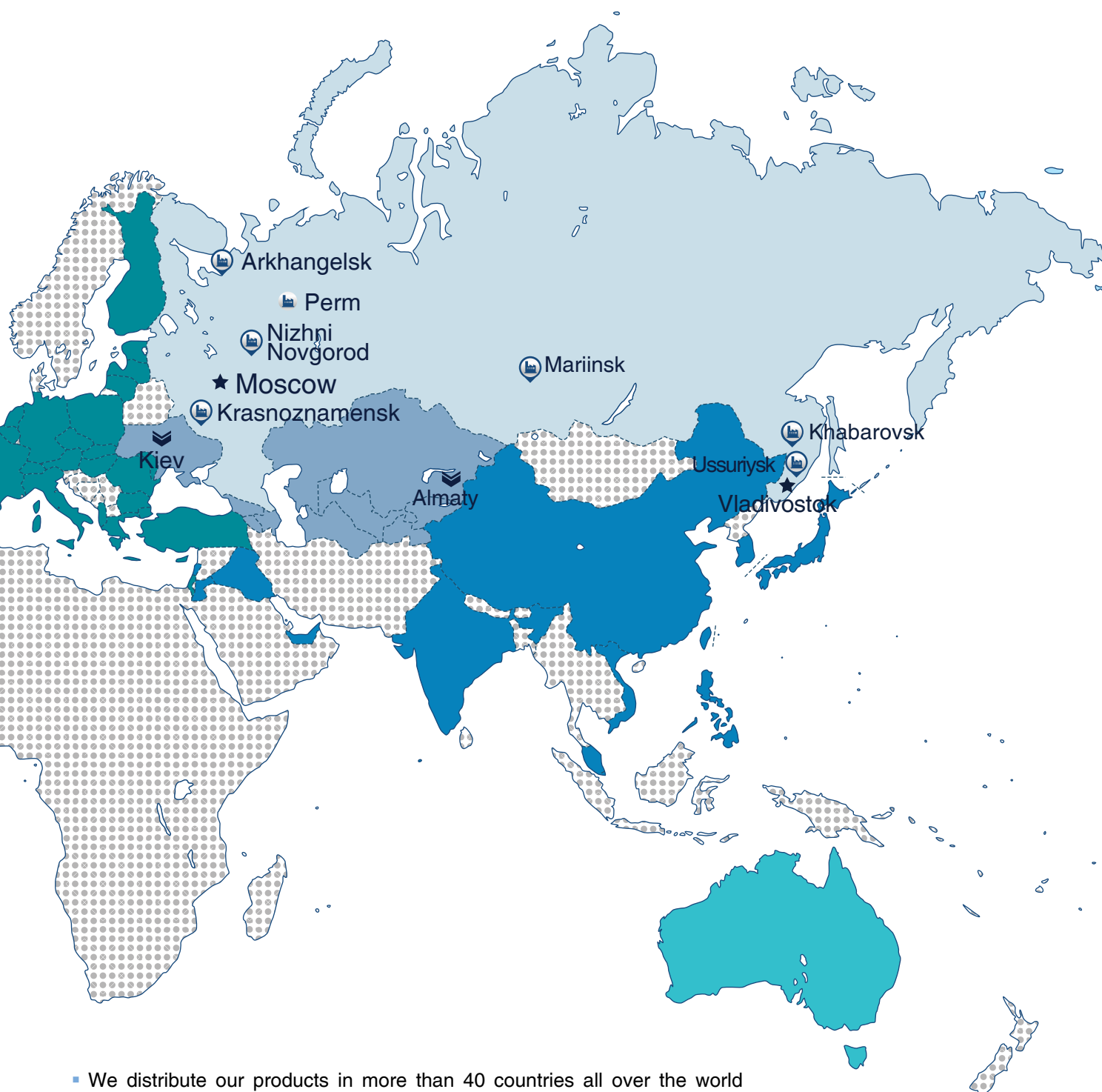
Poultry meat production

Poultry products are distributed mainly in the saratov Region and in the neighboring regions of the volga Federal District. the poultry business is based primarily on the integrated poultry production complex in the saratov Region. Its core assets are Mikhailovskaya poultry farm and the stud farm JSC «PPZ Tsarevshinsky-2». Poultry production complex produces the brood chicken egg, broiler chicken and products produced 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. The volume of production of JSC «Poultry Factory Mikhaylovskaya» in 2012 amounted to more than 19.3 thousand tons of finished products.



GEOGRAPHY AND DISTRIBUTION





- We distribute our products in more than 40 countries all over the world
- there are 7 distilleries within the company
- 2 head offices in Moscow and Vladivostok
- 3 representative offices in United States, Ukraine and Kazakhstan



FINANCIAL REVIEW

Key Financial Figures

	2012	2011	% change
Revenue, mln. RUR	26 665	25 213	6
alcohol	21 629	21 228	2
food products	5 036	3 985	26
Gross profit, mln. RUR	11 012	8 938	23
alcohol	9 743	8 074	21
food products	1 294	848	53
Gross profit margin, %	41	35	
alcohol	45	38	
food products	26	21	
EBITDA, mln. RUR	3 593	3 168	11
alcohol	3 284	2 894	13
food products	309	371	— 17
EBITDA margin, %	13	13	
alcohol	17	15	
food products	6	9	
Net income, mln. RUR	1 702	1 661	2
Net income margin, %	6	7	
Total debt, mln. RUR	6 627	5 567	19
Long-term debt, mln. RUR	4 963	4 324	15
Short-term debt, mln. RUR	1 663	1 243	34
Cash and cash equivalents,	707	718	— 2
Net debt/ EBITDA	1.65	1.49	11
Equity capital and reserves, mln. RUR	17 372	16 692	4
Total capital, mln. RUR	22 335	21 016	6

FINANCIAL REVIEW

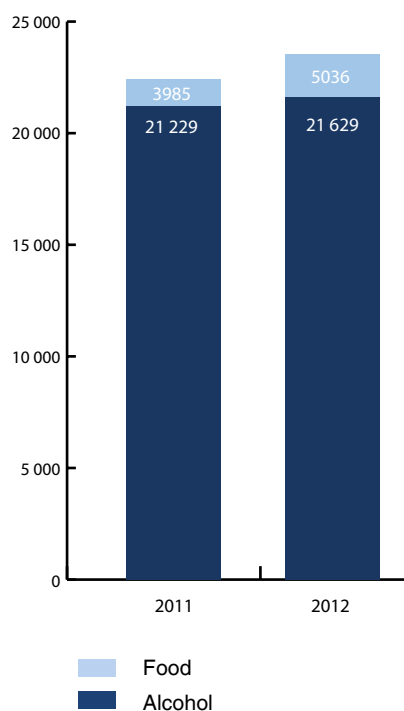
Revenue and gross profit for 2012 increased by 6 % and 23 %. Revenue and gross profit in spirit segment increased by 2% and 21 % in relation to 2011. Increase in revenues from sales of its own brands was 21%. The company has achieved a significant increase in gross profit margin from 35% to 41% due to its proactive pricing policy, as well as to significant breakthrough in our distribution business, where with the exclusive contracts with our foreign partners, such as «William Grant & Sons» and «Camus» we have almost completely replaced the low-income operations with products of the third parties. All these achievements have also positively affected the other indicators of profitability of the Company; thus, in the accounting period EBITDA increased by 11% and net profit by 2%.

FINANCIAL REVIEW

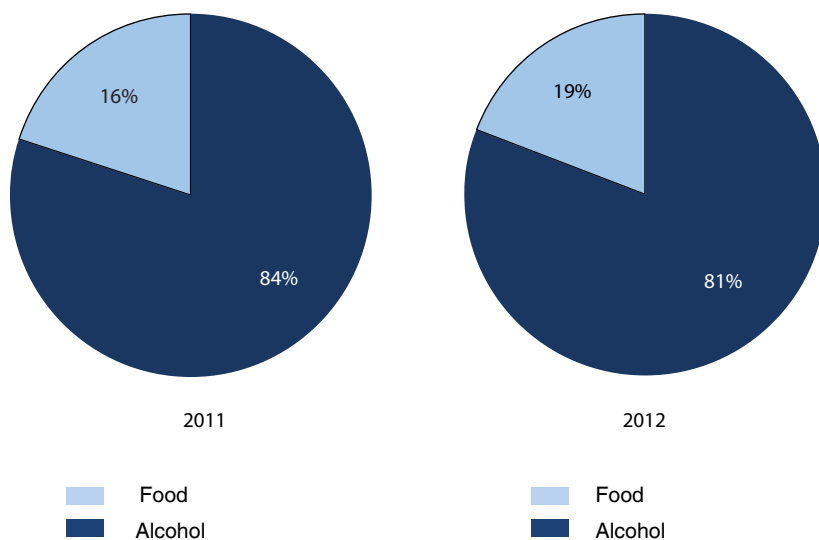
Profit

The Company's revenue in 2012 was 26 664 mln. rubles which is 19% more than in 2011.

Revenue, mln. RUR



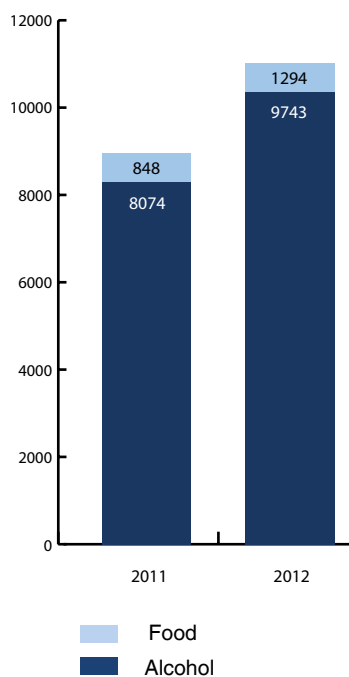
Shares of segments in revenue, %



FINANCIAL REVIEW

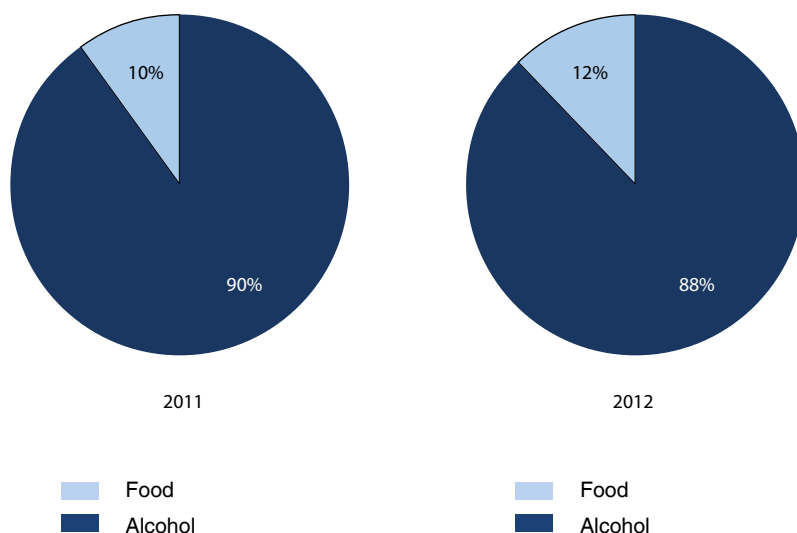
The consolidated proceeds for the full 2012 totaled 26,664 million rubles, which is 6% more than at the same period in 2011 (25,213 million rubles). The main growth factors of that index was an increase in spirit sales, expanding the distribution platform of the company, growth of selling prices, significant success achieved in the distribution of production of «William Grant & Sons» and «Camus», as well as the positive dynamics of the food segment. Gross profit in 2012 increased by 23%, from 8,937 million rubles to 11,012 million rubles. Growth was subject to the Company's concentration on increasing sales of its own brands and reduction in low-income types of activities. As a result, gross profit margin in 2012 increased from 35.4% to 41.3%.

Gross profit by segments, mln. RUR



FINANCIAL REVIEW

Shares of segments in gross profit, %



For the full 2012, spirit segment revenues increased by 2% (from 21 228 million rubles to 21 629 million rubles). During 2012, the Company increased its sales by 4%, and with the rise of shipping prices the increase in revenues of own brands' marketing has reached 21 %. Thus, there was a planned reduction in the volumes of low-margin distributive activities with the simultaneous concentration on the exclusive distribution of premium brands of the companies «William Grant & Sons» and «Camus». As a result, total revenue growth in the spirit segment amounted to 2 %.

After growth in sales of its own brands and declining activity with low profitability, gross profit in the spirit segment increased by 20.7 % (from 8 074 million to 9 743 million rubles). Gross profit margin in the spirit segment increased from 38% to 45% per annum.

FINANCIAL REVIEW

EBITDA & Net Income.

In 2012 the consolidated indication EBITDA increased by 11% from 3 243 million rubles to 3 592 million rubles. The growth of EBITDA provides evidence of stabilization of the group's growth, rise in its operating performance.

Net income increased by 2% from 1 661 million rubles in 2011 up to 1,701 million rubles in 2012, the yield on net profit remained almost unchanged: 6.59% in 2011 and 6.38% in 2012.

It should be mentioned that in 2012 the Company generated a positive cash flow from operations in amount of 1,852 million rubles, which is the evidence of the entry of «Synergy» in the next stable phase of its development. In addition, we would not have achieved this result without our efforts towards the optimization of working capital management, which is particularly important at the current sharp increase in excises.

SOCIAL RESPONSIBILITY



«Synergy» builds its long-term development strategy based not only on its commercial interests, but also on the principles of social responsibility and ethical standards of doing business. Always bearing in mind the balance between business and public interests, the Company seeks to make a significant contribution to the development of the Russian economy and the prosperity of the country's population. Thus, in 2011 the total volume of its tax payments exceeded 15 billion rubles. «Synergy's» Management is convinced that the achievement of excellent results and management efficiency are to a considerable extent determined by the level of confidence in the company. Confidence, in its turn, is based on the fair treatment and respect for all the parties, including shareholders, customers, business partners, employees and the society as a whole. The relationships with these groups provide the basis for the company's reputation — one of the key non-financial assets, which is especially important for any company operating in the consumer sector of the market. Consistency is an important principle of «Synergy's» social responsibility policy. The company seeks to optimize employment of human resources and focus on the social issues that have special significance for the company and where the company can make a positive contribution on a long-term basis.

Our corporate social responsibility policy is based on the following four priority areas determined, in part, by the industry specifics:

- Socially responsible human resources policy based on mutual respect, fair compensation and providing professional growth opportunities for our employees.
- Socially responsible marketing and developing responsible alcohol consumption culture
- Respect for the environment and concern for the preservation of natural resources.

These four social priorities are seamlessly integrated with «Synergy's» values and development strategy. Resources allocated for these purposes help achieve a number of business goals such as the increase of labor productivity, improvement of partnership relations, positioning of the company's brands and building of loyalty toward the company in the society.

Socially Responsible Human Resources Policy

The employees of «Synergy» are a guarantee of the Company's future achievements. That is why an ethical and socially responsible human resources policy is a key priority for the Company. Motivation of the staff, objective assessments of the professional contributions of each employee, continuous training and providing conditions for the self-realization of specialists are among the main goals of the personnel policy.

SOCIAL RESPONSIBILITY



The primary goal of our personnel policy is to increase employees personal involvement in the company's achievements. to build a corporate culture focused on leadership and success through personnel professional and personal advancement, «Synergy» employs an ambitious proficiency development program, modern compensation schemes and a flexible social support system. The Company takes care that all its employees considered it the best place of employment and that its business had no difficulty with recruitment of the best professionals in the labour market.

The Company prides itself in high personnel education level. As of December 2011, more than two thirds of its employees had vocational and high vocational education. «Synergy» views knowledge and experience accumulated by its employees as one of the core elements in creating economic values. The company's knowledge management system includes identification of knowledge resources among its staff and organization of regulated flows based on such resources. The in-house training center makes it possible to share employees experience at different facilities and in different regions within the entire company. an important result of purposeful knowledge management is better links between business planning and the process infrastructure. Furthermore, by setting up its knowledge management system the Company develops a kind of network based also on the knowledge and experience of its partners, suppliers and independent experts, rather than operating as an isolated entity.

To promote sharing of experience and knowledge accumulation, the Company has its own library. Its employees have access to the latest literature and video courses in both manufacturing and development of management skills. «Synergy» often invites outside advisors to deliver personnel training. This concerns, first of all, management competence development programs and adoption of the latest marketing techniques. Further adjustment and application of such techniques make it possible for the Company to establish the marketing trends becoming, later on, points of reference for the entire market.

The Company pays particular attention to improving the quality of life of its employees and their families. Benefits associated with health protection are provided to both the production staff and office personnel. in the production plants, the personnel receive medical examinations twice a year. The office staff is provided with a voluntary health insurance program. in addition, staff members and their families are provided with recreational benefits. in particular, once a year employees can receive treatment at a health resort at the Company's expense, and send their children to health resorts or children's summer camps.

The company does its best to encourage its employees to lead a healthy lifestyle. That is why sport is an indispensable part of its corporate culture. For example, 2010 «Synergy» established its own football team.

SOCIAL RESPONSIBILITY



«Synergy» sticks to the principle of equal opportunities that guarantees to its employees freedom from any discrimination. The Company closely monitors staff promotions to ensure that career advancement is always the result of productivity gains, higher business skills and experience. Recruitment and promotion are carried out without regard to gender, age, national origin, religion, political opinions or membership in voluntary associations. All government standards for employer-employee relationship are strictly adhered to. The business culture supported by the Company is based on mutual respect of all staff, and excludes any form of harassment of coworkers.

Socially Responsible Marketing



As one of the leaders in the Russian alcoholic beverages market, «Synergy» promotes its alcohol brands with an on-going commitment to be a model of socially responsible marketing for the entire market. The promotion and distribution of the Company's products target solely adult consumers and take into account the risks associated with excessive alcohol consumption.

The Company carries out marketing activities in full compliance with the Russian legislation, and advertises only through channels permitted by the law. In addition to the requirements of regulatory agencies, the Company has developed its own system of standards for the responsible use of alcohol and consumer information, based on the recommendations and guidelines of international organizations such as the European Forum for Responsible Drinking and the European Council of Ministers. As far as advertising messages are concerned, «Synergy» seeks to establish a responsible drinking culture in Russia, which excludes alcohol abuse, underage drinking, pregnant drinking and drunken driving.



In its marketing activities, «Synergy» does not promote alcohol consumption, but rather informs adult consumers about its products, so that they can make an informed choice in favor of a particular brand. The full text of the company's standards in the sphere of socially responsible marketing is available at the company's website: www.sygroup.ru/ru/company/regulation. «Synergy» appreciates when its partners share its position in respect of socially responsible marketing. In particular the company regularly performs explanatory work among the distributors, responsible for the promotion of its products in retail outlets. In addition to compliance with the law and stricter internal corporate standards, «Synergy» is actively involved in the formation of industry standards for responsible marketing. Company professionals are involved in the development of such standards through «Synergy's» membership in the Union of Alcoholic Beverage Producers (SPAP). The Chairman of the Management Board Alexander Mechetin is on the Board of SPAP and pays a lot of attention to this work.

SOCIAL RESPONSIBILITY



Environmental Friendliness

An important aspect of the company's social policy is environmental care. «Synergy» operates in strict compliance with Russian legal requirements to environmental protection and seeks to minimize the negative impact that its production process and its waste have on nature. Among the company's priority directions in the sphere of environmental protection are sustainable use of natural resources, energy conservation and industrial waste management. The company is aware that its production process consumes quite a lot of limited natural resources, such as water and hydrocarbon fuel, and seeks to use them as efficiently as possible. It shall be noted that for «Synergy» conservation of resources has also economic, rather than just ethical significance – 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. From year to year «Synergy» becomes more extensively involved in the projects aimed.

Social and Cultural Initiatives

At social support of population in the regions where the company's facilities are based. The company conducts systematic charitable activity and pursues a comprehensive approach to solving social problems in cooperation with local authorities. Providing aid to people from the poorest social groups, the company under no circumstances tries to use for promotion of its products. In particular, «Synergy» takes all measures necessary to avoid any associations between the aid addressed to minors and the company's alcohol brands. In 2011, the company carefully considered the requests for assistance that it received from the families with children who needed urgent medical treatment. «Synergy» financed several medical operations which helped not only restore the health of children, but also became the key to their social adaptation and gave them an opportunity to live a full life without disease. The Company also paid considerable attention to support of large families in the regions of its presence providing them with necessary household items. Assistance was also given to orphanages. For the children's home in Nakhodka the company paid for fire prevention measures, and also financed repairs of the boarding school for children with special needs in the same city. Besides, it bought state-of-the-art medical equipment for the city hospital, which brought about a significant improvement of patient care quality.

TO SHAREHOLDERS AND INVESTORS



Shareholders' equity

As of 31 December, 2011 JSC «Synergy's» authorized capital is 2,567,000,000 rubles divided into 25,670,000 uncertified registered ordinary shares with a nominal value of 100 rubles.

JSC «Synergy's» shares are issued under the state registration number 1-01-55052-E, ISIN: RU000A0HL5M1

In November 2007, the company was the first in the Russian distilled spirits sector to complete the initial public offering (IPO) of its shares at Russian trade platforms – RTS and MICEX placing 19% of its shares in the free market. In October 2009 the company completed the second public placement with subsequent issue of new shares after which the percentage of free float exceeded 34% of the company's authorized capital. In October 2010 the company completed the secondary public offering (SPO) with subsequent issue of new shares after which the percentage of free float increased to 38% of the company's authorized capital (as of 2011).

JSC «Synergy's» stock registrar is JSC Uchetnaya Sistema. The company's shares (Bloomberg code SYNG RU Equity, SYNG RX Equity, Reuters code SYNG.RTS) are listed at the RTS and MICEX stock exchanges in the quotation list B under the code SYNG.

Dividend policy

The Company deems it reasonable to reinvest all undistributed profits and does not plan to pay any dividend. Thus the company pursues its strategic plans of expanding sales and increasing its market share, with the company's shareholders receiving income in the form of rising value of their shares.

Belenkaya



Every drop of Belenkaya Vodka
PASSES THROUGH A 13-METER COALFILTER

TO SHAREHOLDERS AND INVESTORS

Outstanding bonds

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

	Series 03	Series B0-01	Series B0-03
State Registration Number	4-03-55052-E от 1.09.2008	4B02-01-55052-E от 24.08.2010	4B02-03-55052-E от 24.05.2012
Exchange	MMB5	MMB5	MMB5
Listing	—	A 2	Б
Ratings	—	B/RR4 Fitch Ratings	B/RR4 Fitch Ratings
Trading code	RU000A0JQA82	RU000A0JR2G2	RU000A0JR2G2
ISIN code	RU000A0JQA82	RU000A0JR2G2	RU000A0JR2G2
Volume at par	2,5 bln rubles	3 bln rubles	2 bln rubles
Bond nominal value	1 000 rubles	1 000 rubles	1 000 rubles
Issue quantity	2 500 000 pcs	3 000 000 pcs	2 000 000 pcs
Placement date	8/24/2009	10/7/2010	06/06/2012
Maturity date	8/18/2014	10/3/2013	03/06/2015
Circulation period	1,820 days	1,092 days	1,092 days
Number of coupons	10	6	6
Coupon period	182 days	182 days	182 days
Originator	VTB	MDM Bank	Svyaz-Bank, «VTB Kapital»

the Bonds of the 01 series with total amount of 1 000 000 thousand rubles and the maturity date in April 2009, were fully paid on time.

the Bonds of the 02 series with total amount of 2 000 000 thousand rubles and the maturity date in July 2010, were fully paid on time.

Ratings of JSC «Synergy»

Rating agency	Rating	Outlook	Effective date
Fitch	IDR-B	Stable	13.09.2010
	National long-term rating BBB+ (rus)	Stable	

TO SHAREHOLDERS AND INVESTORS

Investor calendar 2012

General Meeting of Shareholders

May	Annual General Meeting of Shareholders of OAO «Synergy»
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Announcement of Operating Results

January	Announcement of the Fourth Quarter and Full year 2011 operating Results
April	Announcement of the First Quarter 2012 operating Results
July	Announcement of the First half 2012 operating Results
October	Announcement of the third Quarter 2012 operating Results

Publication of IFRS Financial Statements

April	Publication of IFRs financial statements for 2011
August	Publication of IFRs financial statements for the First half 2012

Bond Payment Schedule

Series 03

February	Seventh coupon payment
August	Eighth coupon payment

series BO-01

April	Fifth coupon payment
October	Sixth coupon payment. Put option

series BO-03

July	Second coupon payment
December	Third coupon payment

CORPORATE GOVERNANCE



JSC «Synergy» works its way to the optimum governance model guided by global best practices, Russian market environment and the specifics of its business. The governance system of a dynamic company in a developing market cannot remain static. That is why JSC «Synergy» places high emphasis on improvement of this system for the benefit of its shareholders.

In JSC «Synergy», the corporate governance is based on the following principles:

Aspiration for the maximum efficient use of the company's assets to receive economic profit.

- Strict compliance with current laws.
- Equal treatment of all shareholders of the company.
- Business transparency, timely and complete information disclosure.

Attention and respect for all parties interested in the company's business

Corporate governance structure

The company's supreme management body is the General Meeting of Shareholders. It controls the Board of Directors that performs general management of the company's operations determining its priority operation areas and its development strategy. The executive bodies reporting to the Board of Directors are the Chairman of the Management Board (the sole executive body) and the Management Board (the collective executive body) that carry out the company's day-to-day management. Additional control of the Company's financial and business operations is exercised by the independent auditor and the Auditing Commission.

General Meeting of Shareholders

The shareholders of JSC «Synergy» participate in the corporate governance by voting at the General Meeting of Shareholders. in accordance with Federal Law «On Stock Corporations» No. 208-FZ, the shareholders of the company's ordinary shares may take part in the General Meeting of Shareholders with the right to vote on all matters within its competence. The competence of the Company's General Meeting of Shareholders includes, in particular, such issues as: election/early termination of powers of members of the company's Board of Directors, election/early termination of powers of the sole executive body of the Company (the Chairman of the Management Board), approval of major transactions, approval of annual reports, increase of authorized capital, etc. The shareholders may take part in the Company's General Meeting of Shareholders both in person and by proxy.



CORPORATE GOVERNANCE

Members of the Board of Directors

The Board of Directors consists of 7 people, two of which are independent members of the Board of Directors, which meets the compliance standards of corporate conduct adopted by the stock exchanges, as well as the recommendations of the Corporate Governance Code of the Federal Commission for the Securities Market. The Valid Board of Directors was elected at the Annual General Meeting of Shareholders of JSC «Synergy», that was held on 30th June 2010. Before the Annual General Meeting of Shareholders of JSC «Synergy» that was held on 30th of June 2010 the Board of Directors has been managing in the same composition.



*Sergei Molchanov, Chairman of the Board of Directors
JSC «Synergy», Chief Operational Officer*

For 10 years has held executive positions in the companies of «Synergy» Group. Graduated from the Far Eastern State University, Economic Faculty, on specialty of Economist. Got the Bachelor of Management degree from the University of Maryland University College.



*Alexander Mechetin
JSC «Synergy», Chairman of the Management Board*

A founder of «Synergy» Group and the head of the company for 12 years. Graduated from the Institute of Economy and Management of the Far Eastern State Technical University, and Legal Faculty of the Far Eastern State University. in 2001 defended a PhD thesis on economy on the topic «Organizational and Economic Provisioning of Enterprises Reforming in the Transition Period». Completed EMBA courses at Oxford University



*Nikolai Belokopytov
JSC «Synergy», Deputy Chairman of the Management Board,
Chief Financial Officer*

Has occupied executive positions at enterprises that are part of «Synergy» Group for 11 years. Graduated from the Institute of the Far Eastern State Technical University

CORPORATE GOVERNANCE



Sergei Kuptsov

JSC «Synergy», Head of Investment Department

Has been with «Synergy» for 11 years. Before that occupied executive positions in the investment company Tiger Securities, Vladivostok. Graduated from the Far Eastern State University, Faculty of Physics. Has a qualification certificate of the Federal Commission of Equity Market, Series 1.0.



Nikolai Malashenko

JSC «Synergy», Legal Department Director

Has been the Head of «Synergy's» Legal Department since 2004. Before that occupied different executive positions in JSC «Synergy Vostok». Graduated from the Far Eastern State University on the specialty of legal studies and financial management.



Andrey Gomzyakov, Independent Director

General Director of Mir Produktov Limited Liability Company

Graduated from the Finance and Economics institute of the far Eastern State Agrotechnical University



Dmitri Aleevski, Independent Director

Head of Equity Capital Market Directorate at MDM Bank.

Prior to joining MDM bank in 2007, Dmitri held senior positions in different Russian and foreign banks. Over that period he completed more than 35 transactions in such banks as UBS Warburg, ING Barings and ABN Amro including capital raising and M&A transactions. Dmitri has MBA degree from William E. Simon business school (University of Rochester, U.S.A.) and Master's in science degree from Leningrad Institute of Mechanics.

CORPORATE GOVERNANCE



The Board of Directors' Committees

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

The Audit Committee ensures participation of the Board of Directors in control over the Company's financial and economic activities. In particular, the work of the committee allows the Board of Directors to monitor the implementation of financial and business plans, as well as to monitor the effectiveness of the Company's risk management. The main functions of the committee also include the analysis of the effectiveness of the Company's internal and external auditors. The Audit Committee consists of the members of the Board of Directors, who are not the sole executive body of the Company and (or) the members of the collegial executive body of the Company. It is headed by an independent director.

The Strategic Planning Committee determines the strategic objectives and priorities of the Company for the benefit of all its shareholders. The committee is responsible for business planning, budgeting and other plans of the Company's financial and business activities.

The goals, objectives and functions of the Strategic Planning Committee and the order of interaction with the Company's bodies are stipulated in the Regulation on the Strategic Planning Committee of the Board of Directors of JSC «Synergy».

HR and Remuneration Committee monitor the effectiveness of the Company's personnel policy. The committee promotes the involvement of the most qualified specialists in management of the Company and creation of the necessary financial and nonfinancial incentives for their successful work. The development of the criteria for determining the remuneration of the Company's employees is one of the key functions of the committee.

The Finance Committee provides a preliminary review of the materials relating to transactions that are the Company's major transactions and (or) interested party transactions which should be approved by the Board of Directors.

CORPORATE GOVERNANCE



The Board

The Company's current activity is managed by the Chairman of the Board (the sole executive body) and the Board (the collegial executive body). The executive bodies of OJSC «Synergy» act in the interests of the Company's shareholders and are accountable to the Board of Directors and the General Shareholders' Meeting. The main objective of the Board is the organization of the Company's daily operations in accordance with the decisions taken by the General Shareholders' Meeting and by the Board of Directors.

Transparency of information and relations with institutional and private investors

OJSC «Synergy» appreciates its relations with institutional and private investors and seeks to maximize transparency of its activities. Dialogue with investors is a process which the Company conducts on a daily basis.

The Internal Department of Investor Relations assists the Board and the Board of Directors to communicate with shareholders and the investment community as a whole. The Department is in regular contact with institutional investors and investment analysts and regularly makes perception studies to reveal the investors' opinion of the Company's activities. Disclosure of the Company's semiannual and annual financial results is accompanied by direct communication of investors with the heads of «Synergy» in the form of telephone and Internet conferences. The website of «Synergy» contains the constantly updated section for investors, which includes news about the treatment of the Company's securities on the market, presentations, and disclosure of financial results and information about corporate management.

RISK MANAGEMENT



JSC «Synergy» would not be able to reach its strategic goals without timely identification and effective management of existing and possible risks. Development and coordination of the risk management system is the responsibility of the company's top management; this system embraces the management personnel at all levels. The risks that «Synergy's» business is exposed to fall into four main types: economic, financial, operational and regulatory.

Economical risks

Risk of Changes in Economic Situation. in 2008-2009, Russia passed through a serious economic recession caused by the financial crisis. in the second half of 2009 and in 2010, the Russian economy was consistently revitalized. Nevertheless, there is a persisting risk that a number of macroeconomic indicators may go down, which may have a negative impact on the company's operations. Such risks include rising inflation, growing unemployment and associated drop in real income and paying capacity of the population.

Management of risks of changes in the economic situation. Although macroeconomic risks are beyond the company's control, JSC «Synergy» develops its business in a way that would minimize negative consequences of deteriorating economic situation. Thus, with all instability of the market environment in 2010, the company remained one of the fastest growing players in the Russian consumer market.

Expanding geography of the company's deliveries connected with its entrance to new foreign markets enables some degree of diversification of revenue sources and thus softens a potential impact of negative developments in the Russian economic environment. Although the greater part of economists agrees that there will be no double-dip recession in the nearest future, the company constantly monitors its economic environment to predict a possible economic downturn in advance. The company also performs regular scenario analysis of the influence of macroeconomic factors on the forecast results and the sensitivity analysis of different aspects of the company's business to changes in particular macroeconomic factors.

Risks of Decrease in Demand. The key market factor is the demand for the company's products, first of all, vodka. Changes in consumer preferences in favor of other spirits and development of government health care programs may result in decreasing demand for vodka.

Management of risks of decrease in demand. The company has built a demand survey system in all the segments of its products which ensures prompt reaction to possible demand fluctuations. JSC «Synergy» expects that probable decrease in demand for

RISK MANAGEMENT



Financial risks

vodka will affect, first of all, illegal products and the low price the demand for vodka in general, and the company anticipates its fast growth in this segment. to maintain and develop consumer demand for its products the company on an on-going basis updates (restyles) its brands.

Besides the company's commitment to premiumization of its products, «Synergy» develops new premium segments of distilled spirits. Thus, in September 2009 the company launched the sales of its own brandy trademark «Zolotoy Rezerv», and by the end of 2011 plans to start manufacturing its own whiskey brand.



Risks of Competitive Environment. The Russian market of strong alcoholic beverages is highly competitive and features relatively low concentration level. The market consolidation tendency observed nowadays will, with a high degree of probability, bring about the changes in the market environment which will be beneficial for the Company. At the same time, competitors' successful operations in the merger and acquisition domain may impair the company's positions. Besides, the manufacturers of distilled spirits with low production cost may mark down their prices with the purpose to increase their market share in the low price segments. in the foreign markets, which share in the company's revenues gradually goes up, JSC «Synergy» may face growing competition from global leaders in manufacturing premium-class distilled spirits.



Management of risks of competitive environment. The company plans its development with the view to the specifics of its competitive environment and uses all efforts to take advantage of the best opportunities arising in the merger and acquisition sphere. Thus, being one of the largest players in the Russian market, «Synergy» anticipates positive effect from the market consolidation. The company employs the latest marketing techniques in competitive practices in its domestic and foreign markets and invests heavily in promotion of its brands. Besides, the company keeps increasing the performance of its production and product distribution. Its cost reduction efforts make the company flexible enough to follow a competitive pricing policy. Development of the longterm relations with retail chains is another element used for mitigation of the risks associated with competition.

Risks of Resource Price Volatility. If the prices for the resources used in production grow higher than expected this may have a negative impact on the company's performance as the self cost of its products and logistic costs will increase. Additional risk factors associated with resources are delivery time and volume.

Management of risks of Resource Price Volatility. «Synergy» monitors the inflation dynamics of all resources used by the company and mitigates the risks of resource price volatility by concluding long-term agreement with suppliers, optimizing the procurement process and effective resource management.

RISK MANAGEMENT



Financial Risks

Among the company's financial risks are buyers' and agency banks' default risks, interest rate fluctuations, underliquidity risks, as well as the risks of violation of covenants of loan agreements. Currency rate fluctuation risks are insignificant as the company does not have any major transactions with foreign counteragents.

Information about financial risks and the company's efforts to minimize them is available in the notes to consolidated financial statements (paragraph 27 – Financial Risk Management).

Operating Risks



Technological Risks. JSC «Synergy» pursues an investment program aimed at increasing production facilities, improving productivity, reducing self cost and maintaining the product quality despite growing scale of operation. Installation, commissioning and maintenance of equipment in an operating condition are a task that consumes significant internal and external engineering resources. Any drawbacks in equipment design and installation process may lead to violations of production schedules and increase of the company's costs. Deteriorating technical condition of equipment may result in the failure to meet product quality standards.

Management of technological risks. to mitigate technological risks, the company has built a system of preventive maintenance and product quality monitoring. The company pursues the program of systematic equipment modernization to avoid its excessive wear. to mitigate technological risks, «Synergy» carefully selects its equipment suppliers and enters into long-term service agreements. The company insures its fixed assets in accordance with industry standards. The qualification of its technical staff is regularly reviewed and increased through different training and educational programs..



Risks of Loss of Qualified Personnel. Competitive environment of the labor market creates the risk that the company may lose key skills and competences together with personnel leaving the company. There is also a risk that the company will not be able to find skilled personnel required for maintenance and development of its business.

Risk management in regard qualified personnel loss. As a part of this risk management JSC «Synergy» keeps developing its employee retention program based on fair compensation for labor, creating comfortable conditions for work and development of corporate culture.

МЯГКОВ. SMOOTH VODKA

COCTAIL

party



ALCOHOL OVERCONSUMPTION HARMS
YOUR HEALTH

Consolidated Statement of Financial Position (thousands of rubles)

	2012	2011
Takings	41 547 579	37 580 083
Cost value	(14 883 097)	(12 366 681)
Net income	26 664 482	25 213 402
Self cost	(15 652 379)	(16 275 796)
Gross profit	11 012 103	8 937 606
General and administrative expenses	(2 089 619)	(1 880 589)
Selling and distribution expenses	(5 416 532)	(3 963 457)
Other income	(382 984)	(250 192)
Operation profit	3 122 968	2 843 368
Net finance costs	(992 790)	(665 902)
Profit before tax	2 130 178	2 177 466
Tax on profits	(428 224)	(516 242)
Net profit	1 701 954	1 661 224
Attribute to:		
Major shareholders of the Company	1 641 852	1 589 300
Non-controlling interests	60 102	71 924
Basic earnings per share, rubles	84,87	75,64

THE CONSOLIDATED FINANCIAL REPORTING

Consolidated Statement of Financial Position (thousands of rubles)

	2012	2011
ASSETS		
Holdings resources		
Fixed assets	5 944 495	4 627 001
Goodwill	212 554	212 554
Intangible assets	5 737 553	5 457 033
Other long-term assets	120 216	179 065
Deferred tax assets	402 412	254 693
Total long-term assets	12 417 230	10 730 346
Short-term assets		
Resource	4 931 829	5 062 831
Biological assets	200 615	216 891
Trade and other receivables	11 956 616	10 993 518
Prepayments	517 874	329 768
Overpayment of income tax	24 788	27 788
Cash and it's equivalents	707 454	717 807
Total current assets	18 339 176	17 348 603
TOTAL ASSETS	30 756 406	28 078 949
EQUITY AND LIABILITIES		
Capital and reserves		
Shareholders' equity		
Nominal capital	2 567 000	2 567 000
Treasury shares	(704 075)	(513 130)
Undistributed profit	8 575 715	6 933 863
Other provisions	6 263 394	7 092 602
NCI	669 473	611 371
Total capital and reserves	17 371 507	16 691 706
Total long-term liabilities		
Loans and borrowings	4 963 302	4 323 987
Deferred tax liabilities	711 842	887 262
Total long-term liabilities	5 675 144	5 211 249
Short-term liabilities		
Loans and borrowings	1 663 318	1 242 640
Trade and other payables	5 883 578	4 815 452
Cash flow from investing activities	162 859	117 902
Total current liabilities	7 709 755	6 175 994
TOTAL EQUITY AND LIABILITIES^A	30 756 406	28 078 949

THE CONSOLIDATED FINANCIAL REPORTING

Consolidated Statement of Changes in Equity (thousands of rubles)

	Authorized capital	Treasury shares	Undis- tributed profit	Other provision	Total share- holders' equity	NCI	Total
Balance on December 31, 2009	2 182 000	(162 614)	5 339 643	6 498 228	13 857 257	570 939	14 428 196
Issue of shares	385 000	-	-	4 328 986	4 713 986	-	4 713 986
Issue of shares as part of pre-emptive rights	-	-	4 920	-	4 920	(20 812)	(15 892)
Embedding noncontrolling interest in the share capital of the subsidiary	-	-	-	-	-	(10 680)	(10 680)
Issue of self shares	-	(350 516)	-	(3 734 612)	(4 085 128)	-	(4 085 128)
Total changes that are not reflected in net income	385 000	(350 516)	4 920	594 374	633 778	(31 492)	602 286
Total changes that are not reflected in net income	-	-	1 589 300	-	1 589 300	71 924	1 661 224
Balance on December 31, 2011	2 567 000	(513 130)	6 933 863	7 092 602	16 080 335	611 371	16 691 706
Other changes in noncontrolling interests	-	-	-	-	-	(2 000)	(2 000)
Buy-In	-	(190 945)	-	(829 208)	(1 020 153)	-	(1 020 153)
Total changes are not reflected in net income	-	(190 945)	-	(829 208)	(1 020 153)	(2 000)	(1 022 153)
Net income for the period	-	-	1 641 852	-	1 641 852	60 102	1 701 954
Balance on December 31, 2011	2 567 000	(704 075)	8 575 715	6 263 394	16 702 034	669 473	17 371 507

THE CONSOLIDATED FINANCIAL REPORTING

Consolidated statement of financial position (thousands of rubles)

	2012	2011
Cash flow from operating activities		
Profit before tax and finance costs	3 122 968	2 843 368
Adjustments for:		
Depreciation and amortization	469 744	434 477
(Gain) / loss on disposal of fixed assets	8 487	(7 896)
(Gain) / loss on disposal of materials	60 636	239 329
(Gain) / loss on disposal of subsidiaries	-	59 628
(Gain) / loss on disposal of payables	(11 438)	(9 694)
(Gain) / loss on change in value of biological assets	61 555	(30 843)
Provisions and accruals	218 162	70 082
(Gain) / loss on disposal of subsidiaries and	26 281	7 753
Other non-cash payments	(98 551)	(260 962)
Changes in working capital:		
(Increase) / Decrease in inventories and biological assets	25 087	(1 905 911)
(Increase) / Decrease in accounts receivable	(1 403 169)	(2 076 412)
Increase / (Decrease) in accounts payable	973 558	962 869
Cash flow from operating activities	3 453 320	325 788
Interest paid	(1 077 351)	(610 603)
Income tax paid	(523 203)	(509 937)
Net cash flow from operating activities	1 852 766	(794 752)
Cash flow from investing activities		
Cash flow from investing activities	-	44 466
Acquisition of subsidiaries	-	66 918
Disposals of other financial assets	(1 923 561)	(780 106)
Purchase of fixed and intangible assets	15 890	196 111
Net cash flow from investing activities	(1 907 671)	(472 611)
Cash flow from financing activities		
Issue of shares	-	4 713 986
Redemption	(23 060 781)	(4 085 128)
Loans		11 806 635
Repayment of borrowings	(21 996 076)	(12 450 778)
Net cash flow from financing activities	44 552	(15 285)
Net increase / (decrease) in cash	(10 353)	(1 282 648)
cash and cash equivalents at beginning of year	717 807	2 000 455
Cash and cash equivalents at end of year	707 454	717 807

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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 health status; increasing commodity price pressure from competitors, as well as their unexpected actions that could result in loss of 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 damage to a person’s health in Russia; changes in legislation and regulation, as well as in the policies of the Government of the Russian Federation and of the regional authorities, including changes in legislation, policy and regulation concerning the consumption and advertising of alcoholic beverages, as well as concerning their taxation; changes in of raw materials and labor costs; renewal of distribution rights and distribution agreements on favorable 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 factors. This list of important factors is not exhaustive. Readers of the report should carefully weigh these factors and other uncertainties and events, especially in context of the political, economic, social and legal environment in which the Company conducts its activities. Such forward-looking statements reflect the situation existing on the date on which they were made, and the Company undertakes no obligation to add the latest data or revise any of these statements. 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 variant of many possible scenarios, which should not be considered as the most likely or normal variant.

SYNERGY

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