OAO RTM

Interim Consolidated Financial Statements for the Six Months Ended 30 June 2007 Together with Independent Auditor's Report

BDO Unicon
Auditors and Consultants

Contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the interim consolidated financial statements of OAO RTM and its subsidiaries (the Group).

Management is responsible for the preparation of the interim consolidated financial statements that present fairly the financial position of the Group at 30 June 2007, the results of its operations, cash flows and changes in equity for the six months then ended in accordance with International Financial Reporting Standards (IFRS).

In preparing the interim consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- Preparing the interim consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the interim consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Group's management the interim consolidated financial statements for the six months ended 30 June 2007 were authorized for issue on 2 November 2007 and signed by:

Eduard G. Vyrypaev	Alexei S. Seleznev
General Director	Chief Financial Officer

Moscow

2 November 2007

BDO Unicon
Auditors and Consultants

Closed joint-stock company

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Independent Auditor's Report

To the Shareholders and the Board of Directors of OAO RTM

We have audited the accompanying interim consolidated financial statements of OAO RTM and its subsidiaries hereinafter the Group, which comprise the interim consolidated balance sheet as at 30 June 2007, and the interim consolidated statement of income, interim consolidated statement of cash flows and interim consolidated statement of changes in equity for the six months then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes: designing, implementing and maintaining control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these interim consolidated financial statements based on our audit.

The interim consolidated financial statements of the Group's subsidiary "MARTA" Vermögensberatungs GmbH for the six months ended 30 June 2007 were audited by another auditor whose report dated 2 November 2007 expressed an unqualified opinion.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the interim consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the interim consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2007, and its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 3 to these interim consolidated financial statements. As at 30 June 2007 the Group restated comparative information as at 31 December 2006 and for the six months ended 30 June 2006 relating to value of land plots due to refined information received from the Independent Appraiser.

Without qualifying our opinion we draw attention to Note 4 to these interim consolidated financial statements. In the absence of International Financial Reporting Standards or Interpretations containing specific guidance on transaction under common control management considered appropriate to use a purchase method when dealing with the transactions in which the Group acquired its controlling interest in subsidiaries which were under common control before acquisition. A significant excess of the Group's interest in the net fair value of acquiree's net assets over cost in the amount of USD 56 458 thousand, was recognised in the interim consolidated statement of income for the six months ended 30 June 2007, related to subsidiaries that were under common control of ultimate shareholders of the Group, when control was transferred to the Group.

Without qualifying our opinion we draw attention to Note 31 to these interim consolidated financial statements. As at 30 June 2007 the Group's assets in the amount of USD 476 050 thousand (67% of total assets) were pledged as collateral for the borrowings received. Shares of several companies of the Group were also pledged as a collateral against the borrowed funds (Notes 13 and 30).

Denis A. Taradov
ACCA
Partner

2 November 2007
BDO Unicon Inc.
125, Warshavskoye Shosse, Moscow, Russian Federation

BDO Unicon
Auditors and Consultants

(in thousands of US Dollars)

	Note	30 June 2007	31 December 2006
Assets			
Non-current assets			
Investment property	6	483 953	278 341
Land plots under development and construction in progress	7	86 294	97 922
Capital advances	8	28 706	19 422
VAT recoverable	30	26 376	23 932
Goodwill	31	4 262	4 179
Fixed assets		2 501	587
Deferred income tax assets	25	1 452	846
Deposits and loans issued	12	-	30 186
Total non-current assets		**633 544**	**455 415**
Current assets			
Cash and cash equivalents	9	35 662	2 340
Financial assets held to maturity	10	18 205	116
Accounts receivable	11	13 147	13 842
Deposits and loans issued	12	10 822	26 495
Other assets		130	88
Total current assets		**77 966**	**42 881**
Total assets		**711 510**	**498 296**
Equity and liabilities			
Non-current liabilities			
Borrowings	13	184 674	159 821
Deferred income tax liabilities	25	75 412	42 424
Accounts payable	14	12 440	15 016
Total non-current liabilities		**272 526**	**217 261**
Current liabilities			
Borrowings	13	83 064	85 102
Accounts payable	14	36 982	53 566
Total current liabilities		**120 046**	**138 668**
Total liabilities		**392 572**	**355 929**
Equity			
Share capital	15	5	4
Share premium	16	87 734	-
Revaluation reserve for land plots under development	17	12 811	10 191
Retained earnings		211 519	126 561
Accumulated exchange differences		6 829	3 092
Equity attributable to the shareholders of the parent company		**318 898**	**139 848**
Minority interest	18	40	2 519
Total equity		**318 938**	**142 367**
Total equity and liabilities		**711 510**	**498 296**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Chief Financial Officer

2 November 2007

(in thousands of US Dollars)

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Revenue from investment property	19	24 977	5 139
Investment property operating expenses	20	(4 079)	(2 626)
Net gain from fair value adjustments on investment property	6	44 539	54 854
Gross operating margin		**65 437**	**57 367**
General and administrative expenses	21	(5 121)	(1 236)
Operating profit		**60 316**	**56 131**
Interest income	22	1 808	411
Interest expense	22	(17 299)	(1 872)
Foreign exchange gain		3 587	1 183
Gains less losses arising from financial assets		1 508	138
Provisions for impairment	23	321	(3 906)
Taxes other than on income		(1 630)	(247)
Other income	24	458	862
Other expenses	24	(1 609)	(276)
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost	31	56 458	46 757
Profit before taxation		**103 918**	**99 181**
Income tax expense	25	(18 767)	(14 088)
Net profit		**85 151**	**85 093**
Attributable to:			
Shareholders of the parent company		84 958	82 820
Minority interest		193	2 273
Basic and diluted earnings per share (US Dollar per share)	**26**	**0.81**	**-**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Chief Financial Officer

2 November 2007

(in thousands of US Dollars)

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Cash flows from operating activities			
Revenue from investment property		22 413	5 120
Investment property operating expenses		(4 078)	(2 625)
General and administrative expenses		(5 584)	(1 187)
Interest income		1 589	50
Interest expenses		(18 355)	(792)
Gains less losses arising from financial assets held to maturity		1 508	782
Taxes other than income tax paid		(1 237)	(247)
Other income		250	653
Other expenses		(1 607)	(93)
Income tax paid		(1 754)	(132)
Cash flows from operating activities before changes in operating assets and liabilities		**(6 855)**	**1 529**
Net increase/decrease in operating assets and liabilities			
Net decrease of accounts receivable		347	7 619
Net increase of VAT recoverable		(1 947)	(6 900)
Net increase/(decrease) of other assets		(40)	331
Net decrease of accounts payable		4 765	(6 320)
Net cash flows from operating activities		**(3 730)**	**(3 741)**
Cash flows from investing activities			
Net increase of investment property		(3 209)	(3 087)
Net decrease/(increase) of land plots under development and constructions in progress		3 909	(11 351)
Net increase of fixed assets		(917)	(20)
Net increase of capital advances		(26 368)	(19 515)
Net decrease/(increase) of deposits and loans issued		25 408	(11 172)
Net increase of financial assets held to maturity		(17 824)	-
Increase/(decrease) in cash and cash equivalents arising on acquisition of subsidiaries	31	(637)	3 701
Net cash used in investing activities		**(19 638)**	**(41 444)**
Cash flows from financing activities			
Net increase/(decrease) of borrowings		(32 132)	46 117
Issue of share capital		1	4
Share premium		87 880	-
Legal and consulting services		(146)	-
Net cash flows from financing activities		**55 603**	**46 121**
Effect of exchange rate changes on cash and cash equivalents		1 087	27
Net change in cash and cash equivalents		33 322	963
Cash and cash equivalents as at the beginning of the period		2 340	-
Cash and cash equivalents as at the end of the period	**9**	**35 662**	**963**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Chief Financial Officer

2 November 2007

(in thousands of US Dollars)

	Equity attributable to the shareholders of the parent company						
	Share capital	**Share premium**	**Revaluation reserve for land plots under development**	**Retained earnings**	**Accumu-lated exchange differences**	**Minority interest**	**Total equity**
Balance as at 1 January 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of share capital	4	-	-	-	-	-	4
Revaluation of land plots under development (Note 17)	-	-	7 248	-	-	-	7 248
Deferred taxation on revaluation of land plots under development	-	-	(1 705)	-	-	-	(1 705)
Effect of exchange rate changes	-	-	(34)	-	702	-	668
Minority interest arising from acquisition of subsidiaries (Note 18)	-	-	-	-	-	133	133
Net profit for the six months ended 30 June 2006	-	-	-	82 820	-	2 273	85 093
Balance as at 30 June 2006	**4**	**-**	**5 509**	**82 820**	**702**	**2 406**	**91 441**
Balance as at 1 January 2007	**4**	**-**	**10 191**	**126 561**	**3 092**	**2 519**	**142 367**
Issue of share capital (Note 15)	1	87 880	-	-	-	-	87 881
Expenses related to share capital issue (Note 16)	-	(146)	-	-	-	-	(146)
Revaluation of land plots under development (Note 7, Note 17)	-	-	3 179	-	-	-	3 179
Deferred taxation on revaluation of land plots under development (Note 25)	-	-	(763)	-	-	-	(763)
Effect of exchange rate changes	-	-	204	-	3 737	-	3 941
Piecemeal acquisition of subsidiary (Note 18)	-	-	-	-	-	(2 672)	(2 672)
Net profit for the six months ended 30 June 2007	-	-	-	84 958	-	193	85 151
Balance as at 30 June 2007	**5**	**87 734**	**12 811**	**211 519**	**6 829**	**40**	**318 938**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Chief Financial Officer

2 November 2007

(in thousands of US Dollars)

1. Principal Activities of the Group

These interim consolidated financial statements comprise financial statements of OAO RTM (the Company) and its subsidiaries (the Group).

The Company (former Vremya LLC) was incorporated under the laws of the Russian Federation on 6 April 2004 and registered by the Moscow registration chamber as a limited liability company. On 4 July 2006 Vremya LLC was renamed to RTM LLC and on 14 August 2006 was registered as an open joint stock company (OAO).

The Company and its subsidiaries focus on operations relating to real estate development and aimed at construction of shopping centres of different formats (from 10 to 120 thousand square meters), management and lease of these facilities. The purpose of the Group is forming of a full developer cycle: from search and acquisition of land plots to management and maintenance of built immovable property . As at 30 June 2007 the Group has significant balances of investment property in the amount of USD 483 953 thousand (Note 6), land plots under development and construction in progress in the amount of USD 86 294 thousand (Note 7) and capital advances in the amount of USD 28 706 thousand (Note 8) that in the whole represent 84% of total assets of the Group. As described in Note 28 the concentration of Group's operations on real estate development affects the liquidity position of the Group, shareholders and management of the Group is confident in its ability to maintain sufficient financing.

The principal activities and locations of subsidiaries of the Group as of 30 June 2007 are as follows:

Operating entity	Project	Principal activity	Ownership/ control, %	Country of registration	Assets location	Date of incorpo-ration
CJSC RTM Development	-	Real estate development and project construction management	100%	Russia	Moscow	26.01.2006
CJSC Kaskad	Trading centre (TC) Crystal, TC Boomerang, TC Grand, TC Triumph, TC Lenina	Investing in and managing of the project assets, company	100%	Russia	Kursk	18.08.2005
CJSC FPK Orbita	TC Park House 1	Investing in and managing of the project assets	100%	Russia	Samara	23.11.2001
MP Trading LLC	TC Zavoiskogo, TC K.Glushko, TC Mira, TC Sib. Trakt	Investing in and managing of the project assets	100%	Russia	Kazan	30.05.2002
Kaskad LLC	TC S.Galieva, TC Gvardeyskaya	Investing in and managing of the project assets	100%	Russia	Kazan	15.03.2004
CJSC Mercury	TC Park House 2	Investing in and managing of the project assets	100%	Russia	Samara	29.05.2003
TC Svobodniy LLC	TC Svobodniy	Investing in and managing of the project assets	100%	Russia	Krasnoyarsk	17.08.2000
Panteks LLC	TC Kolo-menskaya, TC R.Vokzal, Malygina	Investing in and managing of the project assets	100%	Russia	Moscow	02.12.1999

(in thousands of US Dollars)

Operating entity	Project	Principal activity	Ownership/ control, %	Country of registration	Assets location	Date of incorpo-ration
Elko Systems LLC	Grocery store	Investing in and managing of the project assets	100%	Russia	Kazan	11.06.2002
Mobil Systems LLC	TC Intercity	Investing in and managing of the project assets	100%	Russia	Tula	14.01.2004
Markon LLC	Plot of land Kushelevka	Investing in and development of the project assets	100%	Russia	St.Petersburg	20.06.2002
DT 1 Era 2 LLC	Grocery store	Investing in and managing of the project assets	100%	Russia	Voronezh	08.06.2000
RTM – Lipetsk LLC	Construction in progress (Tereshkovoy)	Company set up for construction of shopping centre in Lipetsk	90%	Russia	Lipetsk	25.11.2005
TorgPromAktiv LLC	CeramCekh	Investing in and managing of the project assets	100%	Russia	Krasnoyarsk	02.06.2004
Tekhosoft LLC	-	Company set up for construction of shopping centre in Togliatti	100%	Russia	Togliatti	13.10.2005
Elegans LLC	-	Company set up for construction of shopping centre in Stavropol	100%	Russia	Stavropol	13.09.2005
Rekom LLC	-	Investing in TC Kupchino construction	100%	Russia	Moscow	06.09.2005
Romeks – Invest LLC	Construction in progress (Kupchino)	Company set up for construction of shopping centre in St.Petersburg	100%	Russia	St.Petersburg	07.06.2002
RTM – Odintsovo LLC	Plot of land Lokhino	Investing in and development of the project assets	100%	Russia	Odintsovo	25.11.2005
FinTrade LLC	TC Ul'yanka	Investing in and development of the project assets	100%	Russia	St.Petersburg	22.02.2006
Expo Tekh LLC	Business Centre	Investing in and development of the project assets	100%	Russia	Moscow	18.01.2005
RTM – Samara LLC	Plot of land Samara-Fizkulturnaya	Investing in and development of the project assets	100%	Russia	Samara	11.11.2005

(in thousands of US Dollars)

Operating entity	Project	Principal activity	Ownership/ control, %	Country of registration	Assets location	Date of incorpo-ration
RTM – Voronezh Severniy LLC	-	Company set up for construction of shopping centre in Voronezh	100%	Russia	Voronezh	26.04.2006
RTM – Bryansk CJSC	Plot of land Bryansk	Company set up for construction of shopping centre in Bryansk	100%	Russia	Moscow	28.06.2006
RTM - Finance LLC	-	Financial activity	100%	Russia	Moscow	02.04.2003
INEX LLC	Construction in progress TC Demidovskiy	Investing in TC Demidovskiy construction	100%	Russia	Moscow	14.09.2005
Tula Rekonstrukziya LLC	-	Co-investing in real estate projects	100%	Russia	Tula	25.06.2004
Vinart LLC	TC Blindonalds, TC Obrucheva, TC Teplyi Stan, TC Krasnodarsky	Investing in and managing of the project assets	100%	Russia	Moscow	22.08.2005
Averstrade LLC	TC Mytishchi	Investing in and managing of the project assets	100%	Russia	Mytischi	15.04.2005
RTM - Izmaylovsky LLC	TC Izmaylovsky	Investing in and managing of the project assets	100%	Russia	Moscow	26.04.1996
Emsden Investments Limites	-	Financial activity	100%	Cyprus	Nicosia	03.07.2006
RTM Management LLC	-	Managing of the project assets	100%	Russia	Moscow	28.12.2006
"MARTA" Vermögensberatungs GmbH	-	The company holds 75% stake in Mareal GmbH	100%	Austria	Vienna	22.06.2004
RTM Handels – und Beteiligungs GmbH	-	Subsidiary of "MARTA" Vermögensbera-tungs GmbH	100%	Austria	Vienna	31.03.2005
Mareal GmbH	-	The company holds 100% stake in REMA Immobilien LLC	75%	Austria	Vienna	23.09.2004
REMA Immobilien LLC	BILLA supermarkets	Managing of the project assets	75%	Russia	Moscow	17.08.2004

(in thousands of US Dollars)

In August 2005 the ultimate owners of the Group started restructuring of ownership and control over the companies that were under their common control. The main objective of the restructuring was to create a transparent legal structure consolidating all Russian entities of the Group engaged in real estate development under the control of a Russian holding company in order to simplify dealing with shareholders, investors, regulatory, reporting and other issues.

On 1 August 2005 Mr. Trefilov and Mr. Vyrypaev entered into a joint venture agreement to jointly implement developer projects for construction and lease of shopping centres. For these purposes they contributed the assets into the joint venture's capital, each of them holding a 50% interest in the joint venture. As at 31 December 2005, the structure of venture capital was as follows:

Venturer	**As at 31 December 2005**
Mr. Trefilov	50%
Mr. Vyrypaev	50%

The Group (OAO RTM and its subsidiaries) was established in the course of restructuring of Marta Group and joint venture agreement in the year 2006.

On 23 June 2006 the decision was made to increase charter capital of the Company by USD 4 thousand and to change the name of the Company from Vremya LLC to RTM LLC. Those changes were registered on 4 July 2006.

On 5 July 2006 the Company's members approved the transformation of the Company into an open joint-stock company (OAO). On 14 August 2006 the change of legal status was registered.

During the year ended 31 December 2006 the Company acquired thirty two subsidiaries. During the six months ended 30 June 2007 the Company acquired one subsidiary, Marta Vermogensberatungs GmbH which, in turn, a parent company for Mareal GmbH и RTM Handels GmbH. Mareal GmbH holds 75% stake in REMA Immobilien LLC.

During the six months ended 30 June 2007 the Company increased its stake in share capital of Panteks LLC from 51% to 100% (Note 31).

During the six months ended 30 June 2007 the Company purchased 1% stakes in the following subsidiaries: RTM – Odintsovo LLC, INEX LLC, Tula Rekonstrukziya LLC, Vinart LLC. As the results, the company's stake in these companies increased to 100%.

As of 30 June 2007 and 31 December 2006 the Company's shareholders were as follows:

Shareholder	**Country of registration**	**30 June 2007**	**31 December 2006**
SMH Limited	Cyprus	28.61%	30.00%
CJSC Depositary Company UralSib (nominal shareholder)	Russia	26.64%	-
Pilot Holding GmbH	Austria	14.25%	-
CJSC Depositary Clearing Company (nominal shareholder)	Russia	12.87%	-
JP Morgan Bank LLC (nominal shareholder)	Russia	9.91%	-
CJSC Citybank (nominal shareholder)	Russia	5.07%	-
OJSC InvestRetailGroup	Russia	1.90%	19.95%
CJSC ING Bank (Eurasia)	Russia	0.39%	-
CJSC Mezhdunarodniy Moskovskiy Bank (nominal shareholder)	Russia	0.36%	-
MARTA Unternehmensberatungs GmbH	Austria	-	50.00%
Other	-	-	0.05%
Total		**100.00%**	**100.00%**

As 31 December 2006 the ultimate owners of the Group were Mr. Vyrypaev (37.00%), Mr. Trefilov (47.25%) and Mr. Vasiljev (15.75%). They indirectly held 100% shares of the Company. As a result of Initial Public Offering (Note 15) their shares changed to 35.71%, 26.79% and 8.93%, respectively.

The principal operating office of the Group is located at the following address: Russia, Moscow, Electrozavodskaya st. 21/41.

On 15 April 2007 the Company changed its registered address to the following: Russia, Moscow, Nizhnyaya Krasnoselskaya str. 27/2.

The average number of the Group's employees for the six months ended 30 June 2007 was 361 (2006: 238).

(in thousands of US Dollars)

2. Operating Environment of the Group

General

Over the past decade the Russian Federation has undergone substantial political, economic and social changes. Though since 2002 the Russian economy has been recognised as a market economy and a number of principal reforms aimed at establishment of banking, judicial, tax and legislative systems have been implemented, the business and legislative framework do not possess the same level of stability as in the countries with more developed economy.

Whilst there have been improvements in the economic trends, the Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

Operations on the Russian securities market are affected by its underdeveloped infrastructure, particularly the stage of development of its registration and settlement systems and the current status of the developing regulatory and legal framework in Russia. The ongoing political stabilisation has been a positive contributing factor for the further development of the political and legal environment.

Inflation

Russia continues to experience relatively high but decreasing levels of inflation. The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2006	9.0%
31 December 2005	10.9%
31 December 2004	11.7%
31 December 2003	12.0%
31 December 2002	15.1%

The inflation rate for the six months ended 30 June 2007 was 5.7%.

Currency transactions and currency control

Foreign currencies, in particular the US dollar (USD) and Euro (EUR), play a significant role in measuring economic parameters of many business transactions in Russia.

The table below shows the Central Bank of Russia exchange rates of RUR relative to USD and EUR:

Date	USD	EUR
30 June 2007	25.8162	34.7150
31 December 2006	26.3311	34.6965
31 December 2005	28.7825	34.1850
31 December 2004	27.7487	37.8104
31 December 2003	29.4545	36.8240
31 December 2002	31.7844	33.1098

In 2006 Russia lifted restrictions that were previously in force on the conversion of Roubles into hard currencies and mandatory requirements for conversion of hard currency revenue to Roubles as well as restrictions on capital transactions abroad. At the same time, the Central Bank of Russia takes strict measures aimed at counteracting the legalisation of criminally derived incomes and the financing of black economy and terrorism.

Financial market transactions

Economic conditions in the Russian Federation continue to limit the volume of activity in the financial markets. Market quotations may not reflect the values of financial instruments, which would be determined in an active market on transactions at an arm's-length basis between knowledgeable and willing counterparties. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary.

The international recognition of investment appeal of Russia, decrease of macroeconomic risks and inflationary expectations have been confirmed by rating the Russian Federation in accordance with the investment ratings of the leading rating agencies: Moody's – Baa3 rating with the "positive" outlook was assigned on 8 September 2005, Baa2 rating with "stable" outlook was assigned on 25 October 2005; Fitch Rating – BBB+ rating with "stable" outlook was assigned on 25 July 2006; Standard & Poors – BBB+ rating with "stable" outlook was assigned on 4 September 2006.

Further Russia's investment attractiveness and reduced macroeconomic risks and inflationary expectations were confirmed by the investment ratings awarded to the Russian Federation by the follow world rating agencies: Fitch Ratings (16 August 2007: award of «BBB+» rating with stable outlook), Standard & Poor's (28 August 2007: award of "BBB+" rating with stable outlook).

3. Basis of Presentation

These interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), in particular with International Accounting Standard (IAS) 34 "Interim Financial Reporting". Since the results of the Group operations closely relate to and depend on changing market conditions, operating results for the six-month period ended 30 June 2007 are not necessarily indicative of the results that may be expected for the year ended 31 December 2007.

The Group maintains its accounting records in accordance with the applicable legislation of the Russian Federation and of the countries where its subsidiary companies are domiciled. These interim consolidated financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS. Accounting policies of the subsidiaries were adjusted where necessary in order to comply with accounting policies of the Group.

The Group's functional currency is the currency of the primary economic environment in which the Group companies operate. The functional currency of the Group companies incorporated in the Russian Federation is the national currency of the Russian Federation, i.e. the Russian Rouble. The functional currency of the Group companies incorporated in Austria is EURO. The functional currency of companies domiciled in Cyprus is US dollar. The Group chose US Dollar (USD) as the presentation currency of these interim consolidated financial statements.

The Group also prepared its interim consolidated financial statements in Russian Roubles. Auditor's opinion on these interim consolidated financial statements in Russian Roubles was issued on 2 November 2007. These interim consolidated financial statements are available at the principal operating office of the Group (Note 1).

The interim consolidated financial statements of the Group are prepared on the historical cost basis, except for the:

- Fair value of net assets of the subsidiaries acquired in accordance with IFRS 3 "Business Combinations";
- Valuation of land plots under development in accordance with IAS 16 "Property, Plant and Equipment" (IAS 16);
- Valuation of investment property in accordance with IAS 40 "Investment property" (IAS 40);
- Valuation of financial instruments in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39).

The preparation of these interim consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Issues that require best estimate and are most significant for the interim consolidated financial statements are disclosed in Note 4.

Adoption of new and revised standards

The Group has carried out an assessment of the effect of changes on its interim consolidated financial statements under IFRS which would become effective for annual periods beginning after 1 January 2007.

The Group has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning after 1 January 2007);
- Amendment to IAS 1 "Presentation of Financial Statements" – "Capital Disclosures" (effective from 1 January 2007);
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006, i.e. from 1 January 2007);

(in thousands of US Dollars)

- IFRIC 8 "Scope of IFRS 2" (effective for annual periods beginning on or after 1 May 2006, i.e. from 1 January 2007);
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006, i.e. from 1 January 2007);
- IFRIC 10 "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006, i.e. from 1 January 2007);
- IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007, i.e. from 1 January 2007).

The Group expects that the adoption of the Standards and Interpretations listed pronouncements listed above will have no significant impact on the Group's financial statements in the period of initial application.

Reclassification

The following reclassifications have been made to the interim consolidated statements of income for the six months ended 30 June 2006 to conform to the presentation for the six months ended 30 June 2007:

	Before reclassification	**Changes**	**After reclassification**
Reclassification of bank charges and low-value items written off	Other expenses	98	General and administrative expenses
Reclassification of insurance costs	Other property operating expenses	15	General and administrative expenses

The following reclassifications have been made to the consolidated balance sheet for the year ended 31 December 2006 to conform to the presentation for the six months ended 30 June 2007:

	Before reclassification	**Changes**	**After reclassification**
Reclassification of advances made to contractor under construction contract	Accounts receivable	805	Capital Advances
Reclassification of financial assets held to maturity	Other assets	116	Financial assets held to maturity
Reclassification of loans issued from current assets to non-current	Loans issued (current)	19	Loans issued (non-current)
Reclassification of own promissory notes issued – current	Borrowings	6 190	Accounts payable (current)
Reclassification of own promissory notes issued – non-current	Accounts payable	2 905	Borrowings (non-current)
Reclassification of accounts payable from current to non-current	Accounts payable (current)	8 297	Accounts payable (non-current)

The following reclassifications have been made to the interim consolidated statements of cash flow for the six months ended 30 June 2006 to conform to the presentation for the six months ended 30 June 2007:

	Before reclassification	**Changes**	**After reclassification**
Reclassification of bank charges and low-value items written off	Other expenses	98	General and administrative expenses
Reclassification of insurance costs	Other property operating expenses	15	General and administrative expenses
Reclassification of additional costs (rent of land plots and staff costs) directly associated with land plot under development	General and administrative expenses	112	Net increase of land plots under development and constructions in progress

(in thousands of US Dollars)

	Before reclassification	Changes	After reclassification
Reclassification of additional costs (land tax) directly associated with land plot under development	Taxes paid (other than income tax)	49	Net increase of land plots under development and constructions in progress

Management of the Group considers that the current period presentation provides a better view of the interim consolidated financial statements.

Restatement of comparative information

The Group corrected the comparative information in lines "Land plots under development" and "Revaluation of land plots under development" of the consolidated balance sheet and in line "Revaluation of land plots under development" of the consolidated statement of changes in equity as of 31 December 2006 due to refined information received from the Independent Appraiser (Colliers International LLC).

The Group decided to change the accounting policy in respect to capitalization of costs directly associated with construction of investment property in such a way to capitalize all costs directly attributable to qualifying asset under construction.

IFRS caption	Amount of correction	As reported	As restated	Description
Consolidated balance sheet as at 31 December 2006				
Land plots under development and construction in progress	729	-	-	Change of accounting policy: capitalization of additional costs directly associated with land plot under development
Land plots under development and construction in progress	(1 768)	-	-	Correction of fair value of land plots
	(1 039)	98 961	97 922	
Deferred income tax assets	(48)	894	846	Change of accounting policy: capitalization of additional costs directly associated with land plot under development
	(48)	894	846	
Deferred income tax liabilities	175	-	-	Correction of deferred tax liability due to capitalization of additional direct costs
Deferred income tax liabilities	(424)	-	-	Correction of deferred tax liability due to correction of fair value of land plots under development
Deferred income tax liabilities	(37)			Other corrections
	(286)	42 710	42 424	
Revaluation reserve for land plots under development	(1 768)	-	-	Correction of revaluation reserve due to correction of fair value of land plots under development
Revaluation reserve for land plots under development	424	-	-	Correction of deferred tax liability due to correction of fair value of land plots under development
	(1 344)	11 535	10 191	
Retained earnings	543	126 018	126 561	Capitalization of additional costs directly associated with land plot under development
Interim consolidated statement of income for the six months ended 30 June 2006				
General and administrative expenses	(95)	-	-	Capitalization of additional costs (rent of land plots) directly associated with land plot under development
General and administrative expenses	(17)	-	-	Capitalization of additional costs (staff costs) directly associated with land plot under development
	(112)	1 348	1 236	

(in thousands of US Dollars)

IFRS caption	Amount of correction	As reported	As restated	Description
Interim consolidated statement of income for the six months ended 30 June 2006				
Taxes other than on income	(49)	296	247	Capitalization of additional costs (land tax) directly associated with land plot under development
Income tax expense	38	14 050	14 088	Correction of deferred tax expense

4. Summary of Accounting Policies

The Group applied the same accounting policies in its interim consolidated financial statements as in its annual consolidated financial statements.

Consolidation

The interim consolidated financial statements of the Group include the Company and entities that it controls (subsidiaries).

Subsidiary undertakings (including special purpose entities, SPE) are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over financial and operating policies.

The existence and effect of potential voting rights (stock options) that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used by the Group to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognized directly in the interim consolidated statement of income.

Minority interest is the interest in subsidiaries not held by the Group. Minority interest at the balance sheet date represents the minority shareholders' share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Minority interest is presented within equity.

The results of subsidiaries acquired or disposed during the six months ended 30 June 2007 are included in the interim consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated in full. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting for acquisition of companies under common control

The Group's controlling interest in its directly held, wholly controlled and owned subsidiaries listed in Note 1 was acquired through transactions under common control, as defined in IFRS 3 "Business Combinations". Management notes that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

In the absence of a Standard or an Interpretation that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and reliable, in that the financial statements:

- represent faithfully the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
- are neutral, i.e. free from bias;
- are prudent; and

– are complete in all material respects.

In making the judgement, management shall refer to, and consider the applicability of the following sources in descending order:

- the requirements and guidance in Standards and Interpretations dealing with similar and related issues; and
- the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

Having considered the requirements of IAS 8 management considered appropriate to use a purchase method when dealing with the transactions in which the Group acquired its controlling interest in subsidiaries which were under common control before acquisition.

Proportionate consolidation

For the consolidation of jointly controlled entities the management of the Group has decided to use the proportionate consolidation method and to account its proportionate share of the assets, liabilities, income and expense of the jointly controlled entities based on a complete revaluation.

These interim consolidated financial statements of the Group include the interim consolidated financial statements of Marta Vermögensberatungs GmbH (MARTA) and its subsidiaries (MARTA Group).

As MARTA owns 75% of Mareal GmbH it is presumed that the investor does have significant influence. In case of MARTA and Mareal GmbH full consolidation is not applicable because the ownership of 75% does not constitute control due to contracts restricting control. Decisions exceeding the ordinary business activity require a majority of 80% of the votes. Considering the entire agreement with Euro-Billa Holding Aktiengesellschaft the management of the Group qualifies the shares in Mareal GmbH as a joint venture. Euro-Billa Holding Aktiengesellschaft, the 25% shareholder of MAREAL, has the right to appoint the managing director. MARTA has the right to appoint the chief accountant. According to Russian Law (Clause 7 of the Federal Law of the Russian Federation "On bookkeeping", November 21, 1996) a chief accountant has to approve all contracts by his signature. Considering the entire agreement the management of MARTA qualifies the shares in MAREAL as a jointly controlled entitiy.

The consolidation procedure for profit and loss on intragroup transactions considers the effects on income taxes as well as the recognition of deferred taxes. Intragroup balances, expenses and income as well as intragroup profits arising in companies that are included using full or proportionate consolidation are eliminated unless they are immaterial.

Goodwill

Goodwill represents future economic benefits from assets that are not capable of being separately identified and recognised. Goodwill arsing in a business combination is recorded in the interim consolidated balance sheet as an asset at the date of purchase.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property.

Investment property comprises freehold land, freehold buildings and land held under operating lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. In this case the operating lease is accounted for as a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

An external, independent valuation company, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the investment portfolio regularly. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognized in the interim consolidated statement of income in the line "Net gain from fair value adjustments on investment property".

Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the interim consolidated statement of income during the period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as fixed assets, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as fixed assets and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

When an item of fixed assets is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized directly in equity as revaluation reserve if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognized in the interim consolidated statement of income immediately.

Land plots under development and construction in progress

Land plots under development represent land, which is in the process of development by the Group. At acquisition land plot is accounted for as investment property under development within property, plant and equipment. Management elected to follow the alternative treatment and subsequent to initial recognition at cost such land is carried at a revalued amount determined by an independent appraiser, being its fair value at the date of the revaluation. Management plans to perform revaluation of land under construction with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the shareholders' equity as revaluation reserve for land plots under development. The increase is recognized in the interim consolidated statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the interim consolidated statement of income. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in the interim consolidated statement of income. The decrease shall be debited directly to the shareholders' equity under revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

If management's intentions related to a certain land parcel are changed such parcel is transferred to the land held for resale category and its carrying amount at the date of transfer is considered as its cost starting that date.

Construction in progress is carried at cost adjusted to reflect the Russian Rouble purchasing power as at 31 December 2002 (for investments made prior to 1 January 2003) less impairment provision, where required. Construction in progress is not depreciated until the asset is available for use.

When the construction is completed land plot and building are reclassified to investment property and accounted for according to the provisions of IAS 40 "Investment property". The final resulting difference between the fair value of completed property and its previous carrying amount is recognized in the interim consolidated statement of income.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalized. Costs incurred on property under development are capitalized as property cost only during periods in which activities necessary to get the property ready for its intended use are in progress. Costs incurred for such items after the investment property is substantially complete and ready for its intended use are charged to expense as incurred. The capitalized costs of property are assigned to individual components of the project based on specific identification. If specific identification is not practicable, capitalized costs are based on relative value on area methods (for example, square footage) or other value methods as appropriate under the circumstances.

Capital advances under constructions in progress

Capital advances represent amounts paid to constructor for capital construction. They are carried at cost.

Borrowing costs

Management elected to follow alternative treatment as allowed by IAS 23 "Borrowing Costs". Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. The capitalization rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Fixed assets

Premises and equipment for the Group's use are stated at acquisition cost adjusted to reflect the Russian Rouble purchasing power as at 31 December 2002 (for fixed assets acquired before 1 January 2003), less accumulated depreciation and impairment provision, where required. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the difference is recognised in the interim consolidated statement of income. The estimated recoverable amount is determined as higher of an asset's net realisable value and its value in use.

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are included in the calculation of the Group's profit or loss for the period. Repairs and maintenance are charged to the interim consolidated statement of income when the expense is incurred.

Depreciation

Depreciation is charged on a straight-line basis over the following useful lives of the assets:

- Land – not depreciated;
- Buildings – from 40 to 50 years;
- Computers and office equipment – from 3 to 5 years;
- Fixtures and fittings – from 3 to 7 years;
- Leasehold improvements – over the lease term.

Software development

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and recorded within other assets in the interim consolidated balance sheet. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Expenses that enhance or extend the performance of the software beyond its original specifications are recognised as capital expenditures and added to the original cost of the software. Costs of software development recognised as assets are amortised using the straight-line method over their useful lives from 3 to 10 years.

Leased assets

Where investment properties are held under operating leases, the leasehold interest is classified as if it were held under a finance lease, which is recognised at its fair value on the interim consolidated balance sheet, within the investment property carrying value. Upon initial recognition, a corresponding liability is included as a finance lease liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining finance lease liability. Contingent rents payable, being the difference between the rent currently payable and the minimum lease payments when the lease liability was originally calculated, are as expenses within property expenditure in the years in which they are.

Financial assets

The Group classifies its financial assets in the following categories:

- financial assets held to maturity;
- loans issued.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Financial assets held to maturity

This category of financial assets includes investment securities with fixed maturity, which the Group intends and has the ability to hold till their maturities. The Group's management determines the appropriate classification of financial assets at the time of purchase.

The Group evaluates its intention and ability to hold the financial assets classified as held to maturity till their maturities at each balance sheet date and not only at the moment of initial recognition of such financial assets.

Initially, financial assets held to maturity are recorded at cost (which includes transaction costs) and are subsequently carried at amortised cost using the effective yield method, less an impairment provision calculated as a difference between the carrying amount and the present value of expected cash flows, discounted using the original effective interest rate. If the Group sells significant portion of its portfolio of financial assets held to maturity before their maturity the remaining financial assets from this category shall be reclassified as financial assets available for sale.

Interest income on financial assets held to maturity is recognised in the interim consolidated statement of income within interest income.

All regular way purchases and sales of financial assets held to maturity are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognised as forward transactions until settlement.

Loans issued

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder can not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans issued are initially recorded at cost, which is the fair value of the consideration given. Subsequently, they are carried at amortised cost less provision for loan impairment. Amortised cost is based on the fair value of cash consideration given to originate those loans determinable by reference to market interest rates on similar loans in effect at origination date.

Loans issued are recorded when cash is transferred to borrowers.

Loans originated at interest rates different from market rates are remeasured at origination to their fair values, being future interest payments and principal repayment(s) discounted at market interest rates for similar loans. The difference between the fair value and the nominal value at origination is charged to the interim consolidated statement of income in the line "Losses of loans issued at rates below market". Subsequently, the carrying amount of such loans is adjusted for amortisation of losses on origination and the related expense is recorded within the interim consolidated statement of income using the effective interest method in the line "Interest income". The Group does not recognise gains on origination of assets at rates above market governed by the prudence concept.

A provision for loan impairment is established if there is objective evidence that the Group will not be able to collect the amounts due according to original contractual terms. The amount of the provision is the difference between the carrying amount and estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate on this loan.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These losses have been estimated based upon historical patterns of losses in each component, the credit ratings assigned to the borrowers and reflect the current economic environment in which the borrowers operate.

The Group does not acquire loans from third parties.

Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the interim consolidated statement of income.

Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of the Group's investments in held-to-maturity financial assets and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a held-to-maturity financial assets or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash on current bank accounts. Amounts, which relate to funds that have restrictions on use, are excluded from cash and cash equivalents.

Borrowings

Borrowings are recognised initially at cost, being their issue proceeds (the fair value of consideration received) net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the interim consolidated statement of income of the joint venture over the period of the borrowings using the effective interest method.

Borrowings, which interest rates differ from market rates, are measured at their fair value at the date of origination. The fair value represents future interest payments and principal amount, discounted at market rates for similar loans.

The difference between the fair value and the nominal value at origination is charged to the interim consolidated statement of income as losses on origination of liabilities at rates above market. Subsequently, the carrying amount of such borrowings is adjusted for amortisation of the gains/losses on origination and the related expenses are recorded as interest expense within the interim consolidated statement of income using the effective yield method. The Group does not recognise gains on origination of liabilities at rates below market governed by the prudence concept.

Contingencies

Contingent liabilities are not recognized in the interim consolidated financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the interim consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Leasing

In accordance with IAS 17, a leased asset is allocated to the lessee or lessor based on the transfer of all significant risks and rewards incidental to the ownership of the leased asset.
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.
Under operating leases, economic ownership remains with the lessor. The lessee recognises the lease payments as an expense, generally on a straight-line basis over the term of the lease. The lessor retains the leased item as an asset on its balance sheet, and measures this asset in accordance with normal requirements. Lease income is generally distributed on a straight-line basis over the term of the lease. Contract and similar costs are expensed analogously over the term of the lease.

Income tax

Taxation expenses are recorded in the interim consolidated financial statements in accordance with the applicable legislation. The income tax charge in the interim consolidated statement of income for the reporting period comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the estimated taxable profit for the reporting period, using the tax rates enacted at the interim consolidated balance sheet date. Taxes, other than income tax, are recorded within operating expenses.

Deferred income tax is calculated, using the balance sheet asset and liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for interim consolidated financial reporting purposes. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted in this period or are substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income and expense recognition

Revenue includes rental income and service charges from properties.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised on a gross basis in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

Costs, including depreciation, incurred in earning the lease income are recognised as an expense.

Interest income and expense are recognised in the interim consolidated statement of income for all debt instruments on an accrual basis using the effective interest method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Accrued interest income and expense, including accrued coupon and discount, are recorded within the carrying values of the related assets and liabilities.

Payments made under operating leases are recognized in the interim consolidated financial statements on a straight-line basis over the term of the lease. Lease incentives received are recognized in the interim consolidated statement of income as an integral part of the total lease expense.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognized.

Minimum lease payments on finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Foreign currency transactions

Transactions in foreign currencies are translated to Russian roubles at the spot foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the interim consolidated statement of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to USD at foreign exchange rates ruling at the dates the fair value was determined.

At the reporting date assets and liabilities of subsidiaries, which presentation currency differs from the Group's functional currency, shall be translated at the closing rate at the date of that balance sheet, income and expenses for each statement of income shall be translated at the average rate for the reporting period. All resulting exchange differences shall be recognised as a separate component of equity.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the interim consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

Staff costs and related contributions

Salaries and bonuses to employees are recognised in the interim consolidated financial statements on an accrual basis. The Group does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by an employer calculated as a percentage of current gross salary payments. Such expense is charged in the period when the related salaries are earned. The Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Segment reporting

The Group's activity is focused on one business segment – development and management of investment property. Therefore, no segment reporting by business segment is required. All of the Group's development business is concentrated in the Russian Federation, where the Company and its subsidiaries are located. Therefore, no segment reporting by geographical segments is required.

5. Significant Accounting Judgements and Estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the interim consolidated financial statements.

Use of estimates and assumptions

The preparation of interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of investment property and land plots under development

Investment property and land plots under development are stated at the fair value. The fair value is estimated by external, independent valuation company, having the appropriate recognised professional qualification. The valuation is subject to assumptions and limiting conditions. Changes in the assumptions might entail the change of the fair value of investment property and land plots under development.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans issued and receivables to assess impairment. The Group uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2007 was USD 4 262 (31 December 2006: USD 4 179). More details are provided in Note 31.

(in thousands of US Dollars)

6. Investment Property

Below is the information on changes in carrying values of investment property:

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Investment property at the beginning of the period		**278 341**	**-**
Carrying value of investment property of acquired subsidiaries		116 826	69 620
Transfer from investment property to fixed assets		(13)	-
Transfer from land plots under development and construction in progress	7	23 636	-
Transfer from capital advances		8 791	-
Net gain from fair value adjustments on investment property		44 539	54 854
Capital improvement of investment property		3 209	3 148
Disposal		(17)	-
Effect of exchange rate changes		8 641	241
Investment property at the end of the period		**483 953**	**127 863**

The fair value of the Group's investment property has been arrived at on the basis of valuation carried out by the independent appraiser Colliers International LLC. The valuation was arrived by applying the income approach and sale comparison approach.

As at 30 June 2007 the trading centers with a fair value of USD 426 813 thousand (31 December 2006: USD 226 446 thousand) were pledged as collateral under the loans received in the amount of USD 182 793 thousand (31 December 2006: USD 142 045 thousand) (Note 13).

7. Land Plots under Development and Construction in Progress

Below is the information on changes in land plots under development and construction in progress during six months ended 30 June 2007.

	Land plots under development	Construction in progress	Total
Land plots under development and construction in progress balance as at the beginning of the period	**36 914**	**61 008**	**97 922**
Construction for the period	-	8 538	8 538
Interest expense capitalised	-	1 328	1 328
Other direct costs capitalised	-	1 084	1 084
Revaluation	3 179	-	3 179
Transfer to investment property	-	(23 636)	(23 636)
Sale of construction in progress	-	(3 128)	(3 128)
Cancellation of construction agreement	-	(781)	(781)
Effect of exchange rate changes	736	1 052	1 788
Land plots under development and construction in progress balance as at the end of the period	**40 829**	**45 465**	**86 294**

In May 2007 the Group written off the works accepted in 2006 in the amount of USD 781 thousand as a result of cancellation of agency contract. Payment for works in the amount of USD 781 thousand has been returned to the Group.

Land plots under development are stated at revalued amount determined by independent appraiser Colliers International LLC by applying the income approach and sales comparison approach.

Construction in progress is recognised at cost.

As at 30 June 2007 land plots under development with a fair value of USD 19 790 thousand (31 December 2006: USD 7 844 thousand) and a constructions in progress with a carrying value of USD 22 960 thousand (31 December 2006: USD 24 792 thousand) were pledged as collateral under the loans received in the total amount of USD 20 338 thousand (31 December 2006: USD 7 054 thousand) (Note 13).

(in thousands of US Dollars)

8. Capital Advances

Description of the project	Asset location	30 June 2007	31 December 2006
Capital advances under co-financing agreements			
Trade-administrative centre Dzerzhinskogo str.	Tolyatty	6 477	-
Shopping centre Lenin str.	Kursk	3 643	3 574
Trading centre Ul'yanka	St. Petersburg	-	4 868
GROSSMART in Water-entertaining centre 45 Parallel str.	Stavropol	-	2 396
Total capital advances under co-financing agreements		**10 120**	**10 838**
Capital advances to constructors			
Trading centre Tereshkovoy str.	Lipetsk	7 101	1 246
Trading centre Gallery Odintsovo	Odintsovo	6 674	5 835
Trading center M. Balkanskaya str.	St. Petersburg	2 844	102
Trade-entertaining centre Fizkulturnaya str.	Samara	1 623	377
Trading centre N.Krasnoselskaya str.	Moscow	220	-
Trading center Kushelevka	St. Petersburg	124	230
Trading centre Park House 2	Samara	-	540
Trade-entertaining centre Metallurgov str.	Tula	-	147
Trade-entertaining centre Park House 1	Samara	-	211
Less: provision for impairment of capital advances		-	(104)
Total capital advances to constructors		**18 586**	**8 584**
Total capital advances		**28 706**	**19 422**

The Group is an investor in several construction projects. The ownership of the construction projects will be transferred to the Group when the construction completed and the state registration of the real estate obtained.

As of 30 June 2007 USD 6 487 thousand capital advances under construction contracts with a carrying value of (31 December 2006: USD 10 838 thousand) were pledged as collateral under the loans received in the total amount of USD 15 677 thousand (31 December 2006: USD 5 165 thousand) (Note 13).

Movements in the provision for capital advances are as follows:

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Provision for impairment of capital advances at the beginning of the period		**104**	**-**
Change in provision for impairment of capital advances during the reporting period	23	(104)	-
Provision for impairment of capital advances at the end of the period		**-**	**-**

9. Cash and Cash Equivalents

	30 June 2007	31 December 2006
Cash in banks	35 651	2 332
Cash on hand	11	8
Total cash and cash equivalents	**35 662**	**2 340**

(in thousands of US Dollars)

10. Financial Assets Held to Maturity

	30 June 2007	31 December 2006
Bank's bills of exchange	18 205	-
Promissory notes of other companies	999	1 048
Less: provision for impairment of financial assets held to maturity	(999)	(932)
Total financial assets held to maturity	**18 205**	**116**

As at 30 June 2007 financial assets held to maturity include bills of exchange of Transportny Commercial Bank (USD 11 861 thousand) and bills of exchange of Sberbank (USD 6 344 thousand).

As at 30 June 2007 and as at 31 December 2006 financial assets held to maturity also included promissory notes issued by Diakom LLC and promissory notes issued by Vintens LLC. As at 30 June 2007 the 100% provision for impairment of financial assets held to maturity was created in respect to these promissory notes was created.

Movements in the provision for financial assets held to maturity are as follows:

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Provision for impairment of financial assets held to maturity at the beginning of the period		**932**	**-**
Change in provision for impairment of financial assets held to maturity during the reporting period	23	48	845
Foreign exchange difference		19	-
Provision for impairment of financial assets held to maturity at the end of the period		**999**	**845**

11. Accounts Receivable

	30 June 2007	31 December 2006
Rental receivables	4 070	1 451
Receivables for reimbursable utilities from lessees	3 766	9 066
Prepayments	3 365	3 084
Current income tax asset	793	40
Other	1 333	460
Less: provision for impairment of accounts receivable	(180)	(259)
Total accounts receivable	**13 147**	**13 842**

Movements in the provision for impairment of accounts receivable are as follows:

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Provision for impairment of accounts receivable at the beginning of the period		**259**	**-**
Change in provision for impairment of accounts receivable during the reporting period	23	(84)	327
Foreign exchange difference		5	-
Provision for impairment of accounts receivable at the end of the period		**180**	**327**

(in thousands of US Dollars)

12. Deposits and Loans Issued

	30 June 2007	31 December 2006
Non-current deposits and loans issued		
Loans to legal entities	-	30 186
Total non-current deposits and loans issued	**-**	**30 186**
Current deposits and loans issued		
Bank deposits	9 026	-
Loans to legal entities	1 796	26 674
Less: provision for impairment of loans issued	-	(179)
Total current deposits and loans issued	**10 822**	**26 495**
Total deposits and loans issued	**10 822**	**56 681**

Bank deposits represents the amount of USD 9 026 thousand (equivalent of RUR 233 010 thousand) placed in Transportny Commercial Bank at the fixed rate of 11% per annum in RUR. The maturity of bank deposits varies from three to twelve months. These deposits represent the Group's guarantee to the Bank.

Interest rates on rouble loans issued varied from 0.1% to 21% per annum (2006: 0.1% to 24.7% per annum).

Movements in the provision for impairment of loans issued are as follows:

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Provision for impairment of loans issued at the beginning of the period		**179**	**-**
Change in provision for impairment of loans issued during the reporting period	23	(181)	2 734
Effect of exchange rate changes		2	-
Provision for impairment of loans issued at the end of the period		**-**	**2 734**

The provision for impairment of loans issued represents the provision created in respect to overdue loan principal and interest.

The information about transactions with related parties is presented in Note 27.

13. Borrowings

	30 June 2007	31 December 2006
Borrowings from banks		
Long-term borrowings from banks	169 493	144 481
Short-term borrowings from banks	58 463	37 465
Total borrowings from banks	**227 956**	**181 946**
Borrowings from commercial organisations and individuals		
Long-term borrowings from commercial organisations and individuals	15 181	15 340
Short-term borrowings from commercial organisations and individuals	24 601	47 637
Total borrowings from commercial organisations and individuals	**39 782**	**62 977**
Total long-term borrowings	**184 674**	**159 821**
Total short-term borrowings	**83 064**	**85 102**
Total borrowings	**267 738**	**244 923**

Interest rates on rouble borrowings from banks ranged from 11% to 18% per annum (2006: from 11% to 18% per annum). Interest rates on borrowings from banks in USD were between 6.6% and 17% per annum (2006: from 11% to 17% per annum). Interest rates on borrowings from banks in EUR were at the rate 3.5% per annum.

(in thousands of US Dollars)

Interest rates on rouble borrowings from commercial organisations and individuals ranged from 0% to 14% per annum (2006: 0% to 14% per annum) and on USD-denominated borrowings from commercial organisations and individuals were between 5.17% and 7% per annum (2006: 0% and 13% per annum). Interest rates on borrowings from commercial organisations and individuals in EUR were at the rate 9% per annum.

As at 30 June 2007 the investment properties with a fair value of USD 426 813 thousand were pledged as collateral (31 December 2006: USD 226 446 thousand) under the loans received in the total amount of USD 182 793 thousand (31 December 2006: 142 045 thousand) (Note 6).

As at 30 June 2007 the land plots under development with a fair value of USD 19 790 thousand (31 December 2006: 7 844 thousand) and construction in progress with a caring value of USD 22 960 thousand (31 December 2006: 24 792 thousand) were pledged as collateral under the loans received in the total amount of USD 20 338 thousand (31 December 2006: USD 7 054 thousand) (Note 7).

As at 30 June 2007 capital advances under construction contracts with a fair value of USD 6 487 thousand (31 December 2006: USD 10 838 thousand) were pledged as collateral under the loans received in the total amount of USD 15 677 thousand (31 December 2006: USD 5 165 thousand) (Note 8).

As at 31 June 2007 stakes in TC Svobodniy LLC, Vinart LLC, Tula Rekonstrukciya LLC were pledged by the Group as collateral under the loans received from JSC Impexbank. TC Svobodniy LLC, Vinart LLC own the investment properties with a fair value of USD 82 515 thousand which were also pledged by the Group.

Shares of CJSC Mercury were pledged by the Group as collateral under the loan received from CJSC Raiffeisen bank. CJSC Mercury owns the investment property with a fair value of USD 92 946 thousand which was also pledged by the Group.

Stakes in Romeks-Invest LLC, Rekom LLC were pledged by the Group as collateral under the loans received from JSC Sviaz-bank. Romeks – Invest LLC has capital advances with a carrying value of USD 2 844 thousand which were also pledged by the Group.

14. Accounts Payable

	30 June 2007	31 December 2006
Non-current accounts payable		
Payable for land plots and premises	9 741	9 551
Guarantee payments received from lessees	2 584	2 106
Finance leases payable	115	73
Payables including maintenance, utilities and management of shopping centers	-	3 286
Total non-current accounts payable	**12 440**	**15 016**
Current accounts payable		
Payables including maintenance, utilities and management of shopping centers	30 683	50 001
Advances received	2 550	1 154
Taxes payable other than Income Tax	1 394	978
Rent payable	1 342	834
Current income tax liabilities	650	259
Wages and salaries payable	328	315
Other	35	25
Total current accounts payable	**36 982**	**53 566**
Total accounts payable	**49 422**	**68 582**

(in thousands of US Dollars)

15. Share Capital

As at 30 June 2007 authorised, issued and fully paid share capital of the Group's shareholders amounted to USD 5 thousand (31 December 2006: USD 4 thousand).

	30 June 2007			31 December 2006		
	Number of shares	**Nominal value (in USD)**	**Total share capital (in USD)**	**Number of shares**	**Nominal value (in USD)**	**Total share capital (in USD)**
Ordinary shares	140 000 000	0.00004	5 423	100 000 000	0.00004	3 798
Total share capital	**140 000 000**	**0.00004**	**5 423**	**100 000 000**	**0.00004**	**3 798**

On 22 January 2007 the issuance of 40 000 000 ordinary shares in the share capital of OAO RTM was registered by the Federal Financial Markets Service of the Russian Federation (FFMS) under registration number 1-01-11658-A-001D.

SHM Limited acted as a selling shareholder during the Initial Public Offering of the Company. The offering consisted of 34 782 610 ordinary shares in the share capital of OAO RTM, each share with a nominal value of RUR 0.001 per share, offered in the form of shares and global depositary receipts (GDRs), representing 25.8 percent of the company's enlarged share capital of the Company. Offering price was set at USD 2.30 for each ordinary share and at USD 11.50 per each GDR with each GDR representing five ordinary shares.

The unlisted GDRs have been offered by the selling shareholder to investors outside Russia and the United States, the ordinary shares, to be listed on the RTS exchange, offered to Russian investors and non-U.S. institutions.

On 5 June 2007 the selling shareholder received consideration from the Initial Public Offering in the amount of RUR 1 978 660 thousand (equivalent of USD 76 417 thousand).

SHM Limited has granted ING N.V., London Branch (ING or the Lead Manager), an option (the Over-Allotment Option) exercisable until 30 days after the publication of the Offering Memorandum to purchase or procure purchasers for up to 5 217 390 additional shares in the form of additional GDRs at the offered price referred to above. ING has exercised the option and purchased 5 217 390 additional shares in the form of additional GDRs on 22 June 2007. The net proceed from the over-allotment option is amounted to RUR 297 675 thousand (equivalent of USD 11 463 thousand).

As the result of the Initial Public Offering 40 000 000 shares have been placed, representing 28.6 percent of the enlarged share capital of the Company. Net consideration received from the Initial Public Offering amounted to RUR 2 276 335 thousand (equivalent of USD 87 880 thousand).

16. Share Premium

Share premium as at 30 June 2007 and 31 December 2006 consisted of the following.

	Issue of share capital	**Legal and consulting services**	**Total**
Share premium at 31 December 2006	**-**	**-**	**-**
Issue of new shares	87 880	(146)	87 734
Share premium at 30 June 2007	**87 880**	**(146)**	**87 734**

(in thousands of US Dollars)

17. Revaluation Reserve for Land Plots under Development

	Six months ended 30 June 2007	Six months ended 30 June 2006
Revaluation reserve for land plots under development at the beginning of the period	10 191	-
Revaluation surplus on land (Note 7)	3 179	7 248
Deferred tax liabilities arising on revaluation of land (Note 25)	(763)	(1 705)
Effect of exchange rate changes	204	(34)
Revaluation reserve for land plots under development at the end of the period	**12 811**	**5 509**

18. Minority Interest

	Six months ended 30 June 2007	Six months ended 30 June 2006
Minority interest at the beginning of the period	**2 519**	**-**
Share in net profit	193	2 273
Decrease of minority interest due to piecemeal acquisition of subsidiary	(2 672)	-
Acquisition of subsidiaries	-	133
Minority interest at the end of the period	**40**	**2 406**

19. Revenue from Investment Property

	Six months ended 30 June 2007	Six months ended 30 June 2006
Revenue	23 268	5 003
Utilities reimbursement	1 709	136
Total revenue from investment property	**24 977**	**5 139**

The Group leases out its investment property under operating leases. The terms of all operating leases are one year and more.

20. Investment Property Operating Expenses

	Six months ended 30 June 2007	Six months ended 30 June 2006
Utilities costs	2 392	992
Maintenance of investment property	850	478
Repair of investment property	416	649
Other expenses	421	507
Total investment property operating expenses	**4 079**	**2 626**

(in thousands of US Dollars)

21. General and Administrative Expenses

	Six months ended 30 June 2007	Six months ended 30 June 2006
Staff costs	1 368	341
Audit, consultancy, and appraiser fee	896	-
Security and other professional services	861	270
Rent costs	742	315
Marketing and advertising costs	338	105
Bank charges	287	57
Communication costs	165	32
Depreciation of fixed assets and intangible assets	127	29
Travel costs	87	-
Insurance	74	15
Information costs and subscription	70	-
Other	106	72
Total general and administrative expenses	**5 121**	**1 236**

22. Interest Income and Interest Expense

Interest expense for the six months ended 30 June 2007 and 30 June 2006 included the following:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Interest income		
Interest income on deposits and loans issued	1 511	411
Interest income on financial assets held to maturity	297	-
Total interest income	**1 808**	**411**
Interest expense		
Interest expenses on loans from banks	(13 206)	(852)
Interest expenses on loans from commercial organizations and individuals	(3 952)	(873)
Finance lease costs	(141)	(147)
Total interest expense	**(17 299)**	**(1 872)**
Interest expense, net	**(15 491)**	**(1 461)**

23. Provisions for Impairment

	Six months ended 30 June 2007	Six months ended 30 June 2006
Change in provision for impairment of loans issued (Note 12)	(181)	2 734
Change in provision for impairment of capital advances (Note 8)	(104)	-
Change in provision for impairment of accounts receivable (Note 11)	(84)	327
Change in provision for impairment of financial assets held to maturity (Note 10)	48	845
Provision for impairment	**(321)**	**3 906**

(in thousands of US Dollars)

24. Other Income and Other Expenses

	Six months ended 30 June 2007	Six months ended 30 June 2006
Income from operations with property rights	207	-
Income from disposals of other assets	73	412
Income from consultancy services	55	5
Depreciation of losses on origination of assets at rates below market	24	-
Fines and penalties	-	75
Other income	99	370
Total other income	**458**	**862**
VAT non-recoverable	(492)	-
Losses of last period	(315)	-
Fines and penalties	(135)	(10)
Other consultancy fees	(100)	-
Membership fees	(37)	-
State duties	(13)	-
Charity	(8)	-
Other expense	(509)	(139)
Losses on origination of assets at rates below market	-	(127)
Total other expense	**(1 609)**	**(276)**
Other income/(expense), net	**(1 151)**	**586**

25. Income Tax

Income tax expense comprises the following:

	Six months ended 30 June 2007	Six months ended 30 June 2006
Current tax expense	1 394	318
Deferred taxation movement	18 136	15 475
Deferred taxation charged directly to equity	(763)	(1 705)
Income tax expense for the reporting period	**18 767**	**14 088**

The income tax rate in Russia applicable to the majority of the Group's income is 24% (2006: 24%). The income tax rate applicable for companies incorporated in Austria is 25%. The corporate tax rate in Cyprus is 10%.

Reconciliation between the expected and the actual taxation charge is provided below.

	Six months ended 30 June 2007	Six months ended 30 June 2006
IFRS profit before taxation	103 918	99 181
Theoretical tax charge at the rate of 24%	24 940	23 803
Not taxable income from write-off of excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	(13 550)	(11 221)
Income taxed at different rate	(153)	-
Other differences	7 530	1 506
Income tax expense for the period	**18 767**	**14 088**

Differences between IFRS and statutory taxation regulations of the Russian Federation give rise to certain temporary differences between the carrying amount of certain assets and liabilities for interim consolidated financial statement purposes and for the Group profits tax purposes. The tax effect of the movement on these temporary differences is recorded at applicable rate.

(in thousands of US Dollars)

	As at 30 June 2007	Effect of exchange rate changes	Movement	Acquisitions of subsidiaries	As at 31 December 2006
Tax effect of deductible temporary differences					
Accounts payable	4 392	46	4 056	-	290
Construction in progress	1 936	77	900	-	959
Other assets	709	8	622	-	79
Accounts receivable	529	28	357	11	133
Provisions for impairment	278	(15)	(77)	26	344
Fixed assets	80	1	67	-	12
Investment property	49	10	(876)	-	915
Capital advances	17	-	17	-	-
Loans issued	-	3	(345)	-	342
Borrowings	-	-	(11)	-	11
Gross deferred tax assets	**7 990**	**158**	**4 710**	**37**	**3 085**
Tax effect of taxable temporary differences					
Net gain from fair value adjustments on investment property	(60 146)	(1 071)	(10 689)	(12 792)	(35 594)
Investment property	(8 914)	(98)	(7 751)	-	(1 065)
Revaluations reserve for land plots under development	(7 496)	(131)	(763)	-	(6 602)
Constructions in progress	(2 617)	(13)	(2 204)	-	(400)
Capital advances	(2 215)	(21)	(2 194)	-	-
Borrowings	(336)	(6)	(92)	(238)	-
Fixed assets	(94)	(53)	279	-	(320)
Accounts receivable	(84)	(8)	591	(9)	(658)
Loans issued	(28)	-	(4)	-	(24)
Other assets	(17)	(1)	(16)	-	-
Accounts payable	(3)	-	(3)	-	-
Gross deferred tax liabilities	**(81 950)**	**(1 402)**	**(22 846)**	**(13 039)**	**(44 663)**
Net deferred tax liabilities	**(73 960)**	**(1 244)**	**(18 136)**	**(13 002)**	**(41 578)**
Deferred tax assets	1 452	(15)	584	37	846
Deferred tax liabilities	(75 412)	(1 229)	(18 720)	(13 039)	(42 424)

For the six months ended 30 June 2007 deferred tax liability in the amount of USD 763 thousand arising from temporary differences on land plots under development is recorded within revaluation reserve for land plots under development (30 June 2006: USD 1 705 thousand).

Considering the existing structure of the Group, tax losses and current tax assets of different entities cannot be offset against current tax liabilities and taxable profit and, respectively, taxes may be accrued even despite the net interim consolidated tax loss. Therefore, the Group does not offset deferred tax assets of one entity against the deferred tax liability of another entity.

In Russia different opinions regarding treatment and legal interpretation of certain Tax Code issues exist both among and within government ministries and organizations (for example, Ministry for Taxes and Charges and its inspectorates). This fact creates tax risks in Russia substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

(in thousands of US Dollars)

26. Earning per Share

Basic earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares during the year less average number of ordinary shares bought out by the Group from its shareholders.

The Group has no outstanding financial instruments which dilute basic earnings per share. Thus, the diluted earnings per share are equal to basic earnings per share.

	Six months ended 30 June 2007	**Six months ended 30 June 2006**
Net profit attributable to shareholders of the parent company (thousands of US Dollars)	84 975	82 820
Weighted average number of ordinary shares in issue (thousands)	105 256	-
Basic and diluted earnings per share (USD Dollars per share)	**0,81**	**-**

The Company changed its legal status from limited liability company to open joint stock company on 14 August 2006. Therefore, no earnings per share for the six months ended 30 June 2006 are calculated.

27. Related Party Transactions

In the normal course of business the Group enters into transactions with its major participants, directors and other related parties. These transactions include settlements, issuance of loans and borrowings receipt.

The Group had the following transactions outstanding with related parties as of 30 June 2007 and 31 December 2006.

	30 June 2007	**Movements**	**31 December 2006**
Accounts payable	10 612	(15 483)	26 095
Borrowings	1 118	(23 028)	24 146
Deposits and loans issued	1 461	(11 935)	13 396
Accounts receivable	1 223	(7 031)	8 254

The following amounts which arose due to transactions with related parties are included in the interim consolidated statement of operations for the six months ended June 2007 and 2006.

	Six months ended 30 June 2007	**Six months ended 30 June 2006**
Revenue from investment property	1 431	694
Investment property operating expense	1 802	-
Interest expense	410	2 267
Interest income	802	857
Other income	790	59
Other expense	29	-

The compensation paid to the key management personnel totalled USD 152 thousand for the six months ended 30 June 2007 (six months ended 30 June 2006: USD 54 thousand).

28. Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, market, geographical, currency and liquidity), operational risks and legal risks. The assessment of exposure to risks also serves as a basis for optimal distribution of risk-adjusted capital, transaction pricing and business performance assessment.

The main risks inherent to the Group's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group does not hedge its credit risk.

(in thousands of US Dollars)

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As at 30 June 2007 he Group has fixed and variable rate debt instruments.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. As at 30 June 2007 the Group had balances denominated in Russian Roubles, USD and EUR. The Group does not hedge its currency risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities as they fall due. The Group has established budgeting and cash flow planning procedures to help ensure that it has adequate cash available to meet its payment obligations in due course.

Management controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period.

The Group recognizes the capital intensive nature and modest liquidity of real estate. Therefore the Group uses its best efforts to fund a significant portion of future cash needs through long-term borrowings and to maintain a high proportion of equity financing.

The table below shows the assets and liabilities as at 30 June 2007 by their remaining contractual maturity:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No state maturity	Total
Assets							
Investment property	-	-	-	-	-	483 953	483 953
Land plots under development and construction in progress	-	-	-	-	-	86 294	86 294
Capital advances	-	-	-	-	-	28 706	28 706
VAT recoverable	-	-	-	-	-	26 376	26 376
Goodwill	-	-	-	-	-	4 262	4 262
Fixed assets	-	-	-	-	-	2 501	2 501
Deferred income tax assets	-	-	-	-	-	1 452	1 452
Cash and cash equivalents	35 662	-	-	-	-	-	35 662
Financial assets held to maturity	16 237	1 968	-	-	-	-	18 205
Accounts receivable	12 354	793	-	-	-	-	13 147
Deposits and loans issued	925	9 433	464	-	-	-	10 822
Other assets	130	-	-	-	-	-	130
Total assets	**65 308**	**12 194**	**464**	**-**	**-**	**633 544**	**711 510**
Liabilities							
Borrowings	16 058	38 868	28 138	127 161	57 513	-	267 738
Deferred income tax liabilities	-	-	-	-	-	75 412	75 412
Accounts payable	34 938	650	1 394	12 440	-	-	49 422
Total liabilities	**50 996**	**39 518**	**29 532**	**139 601**	**57 513**	**75 412**	**392 572**
Net liquidity gap as at 30 June 2007	**14 312**	**(27 324)**	**(29 068)**	**(139 601)**	**(57 513)**	**558 132**	**318 938**
Cumulative liquidity gap as at 30 June 2007	**14 312**	**(13 012)**	**(42 080)**	**(181 681)**	**(239 194)**	**318 938**	
Cumulative liquidity gap as at 31 December 2006	**(9 736)**	**(40 954)**	**(67 508)**	**(192 737)**	**(200 146)**	**142 367**	

29. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair value of financial instruments has been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is applied to interpret market data to determine the estimated fair values.

In estimating the fair value of financial instruments the Group has used available market information that may not be fully reflective of the value that could be realised in the current circumstances.

As described in Note 2, economic conditions in the Russian Federation continue to limit the volume of activity in the financial markets. While management has used available market information in estimating the fair value of financial instruments, the market information is not necessarily indicative of the amounts the Company could realise in current circumstances.

The following methods and assumptions were used to estimate the fair value of the Company's other financial instruments.

Loans issued

Loans issued are reported net of impairment provisions for amortised cost. The estimated fair value of loans issued represents the discounted amount of estimated future cash flows expected to be received. To determine fair value, expected cash flows are discounted at current market rates.

Financial assets held to maturity

The fair value of instruments without quoted market prices is determined by reference to market prices of securities with similar credit risk, maturity and profitability, in other cases – by reference to collateral provided by the issuer in the form of fixed assets.

Borrowings

The estimated fair value of borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

As at 30 June 2007 fair value of financial instrument approximates their balance sheet value.

30. Contingencies and Commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. Based on its own estimates and internal and external professional advice, the Group's management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these interim consolidated financial statements.

The Group acquired control over the number of subsidiaries during the reporting period (Note 31). In certain cases the date when the control over the subsidiary begins precedes the date when the equity participation acquired. According to the Russian legislation, the participants of the limited liabilities company are entitled to make the decisions on management of the company without any restrictions and any additional agreements which impose limitation of their rights might be declared invalid. The Group's management believes that no such agreements with the participants of the limited liabilities company for the transfer of control to the Group exist that can be declared invalid or annul a treaty.

Tax legislation

Transfer pricing legislation, which was introduced from 1 January 1999, provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions with related parties and transactions with unrelated parties if the price differs on similar transactions with two different counterparties by more than 20%. There is no formal guidance as to how these rules should be applied in practice.

The tax consequence of transactions for Russian taxation purposes is frequently determined by the legal form in which transactions are documented and the underlying accounting treatment prescribed by Russian Accounting Standards. The interim consolidated statement of income, as presented in these interim consolidated financial statements, includes reclassifications to reflect the underlying economic substance of those transactions. These reclassifications do not have an effect on the Group's profit before taxation or the tax charge recorded in these interim consolidated financial statements. The Group's management is confident that this ongoing restructuring of taxable income and deductible expenses is unlikely to result in additional tax liabilities. Accordingly, no provision for a potential tax liability, with regard to these transactions, has been set up in the interim consolidated financial statements.

(in thousands of US Dollars)

As at 30 June 2007 the Group has VAT recoverable in the amount of USD 26 376 thousand (31 December 2006: USD 23 932 thousand) the most part of which arose on as the result of acquisition and construction of investment properties. The Group management is of the opinion that VAT will be recovered and accordingly no provision for impairment of VAT recoverable has been made in these interim consolidated financial statements.

The regional organisational structure of the Russian Federation tax authorities and the regional judicial system can mean that taxation issuers successfully defended in one region may be unsuccessful in another region. The tax authorities in each region may have a different interpretation of similar taxation issues. There is however some degree of direction provided from the central authority based in Moscow on particular taxation issues.

If a particular treatment is to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest, which can be significant. At the same time, in accordance with the Russian Tax Code Part I the uncertainties and vagueness of the tax statements are to be treated in a favour of taxpayer. Tax years remain open to review by the tax authorities for three years.

Pledged assets

The Group has the following assets that have been pledged as collateral for borrowings received (Note 13):

		30 June 2007		31 December 2006	
	Note	**Fair value of assets pledged**	**Related obligation**	**Fair value of assets pledged**	**Related obligation**
Investment property	6, 13	426 813	182 793	226 446	142 045
Land plots under development and construction in progress	7, 13	42 750	20 338	32 636	7 054
Capital advances under construction contracts	8, 13	6 487	15 667	10 838	5 165
Total		**476 050**	**218 798**	**269 920**	**154 264**

As at 31 June 2007 stakes in TC Svobodniy LLC, Vinart LLC, Tula Rekonstrukciya LLC were pledged by the Group as collateral under the loans received from JSC Impexbank. TC Svobodniy LLC, Vinart LLC own the investment properties with a fair value of USD 82 515 thousand which were also pledged by the Group.

Shares of CJSC Mercury were pledged by the Group as collateral under the loan received from CJSC Raiffeisen bank. CJSC Mercury owns the investment property with a fair value of USD 92 946 thousand which was also pledged by the Group.

Stakes in Romeks-Invest LLC, Rekom LLC were pledged by the Group as collateral under the loans received from JSC Sviaz-bank. Romeks – Invest LLC has capital advances with a carrying value of USD 2 844 thousand which were also pledged by the Group.

Leasehold properties

The land underlying most of the Group's properties is leased from the authorities. A number of the Group's land leases have relatively short terms. Under Russian law, a lessee has a pre-emptive right to extend its lease upon expiry provided it has fulfilled all obligations under the lease. However, Russian courts have held that the pre-emptive right will not apply if the lessor decides not to continue leasing the land. Accordingly, if the lessors decide in the future to stop leasing the properties underlying the Group's developments, then the Group may lose its right to use these properties upon the expiration of current leases.

Capital commitments

The Group's future capital commitments on construction in progress are as follows:

	30 June 2007	**31 December 2006**
Less than 1 year	3 047	3 122
From 1 to 5 years	-	34 000
Total capital commitments	**3 047**	**37 122**

(in thousands of US Dollars)

Derivative financial instruments

Derivative financial instruments are used primarily to hedge foreign exchange risk. The company incurred foreign exchange risk from liability in USD. To minimise that exchange risk the jointly controlled entity REMA Immobilien LLC (engagement in USD liabilities in the amount of USD 26 758 thousand) entered into one forward contract on 18 May 2007. The settlement date of the forward is 22 August 2007. The nominal value is USD 27 960 thousand and the market value as of 30 June 2007 is USD 27 810 thousand (proportionate loss of USD 150 thousand). The nominal values represent the amount agreed between the contractual partners. The market value was calculated in the amount of the difference between the foreign exchange rate as of 30 June 2007 and the contractual exchange rate.

31. Acquisitions of Subsidiaries

On 20 February 2007 the Company acquired 100% stake in share capital of Marta Vermögensberatungs GmbH. Marta Vermögensberatungs GmbH owns a 75% stake in Mareal Immobilienverwaltungs GmbH which, in turn, owns a 100% interest in ReMa Immobilien LLC. The Company obtained a control over Marta Vermögensberatungs GmbH on 9 January 2007.

On 23 March 2007 the Group acquired additional 49% shares in charter capital of Panteks LLC, as a result its share in charter capital reached 100%.

During the six months ended 30 June 2007 the Company purchased 1% stakes in the following subsidiaries: RTM – Odintsovo LLC, INEX LLC, Tula Rekonstrukziya LLC, Vinart LLC.

Acquisition of interest in the subsidiaries' charter capital gave rise to goodwill, determined as an excess of consideration paid by the Company over the fair value of acquired share in net assets of the subsidiary.

	30 June 2007	**31 December 2006**
Romeks – Invest LLC	1 765	1 765
Tula Rekonstrukciya LLC	1 404	1 404
RTM – Izmaylovky LLC	581	581
Rekom LLC	190	190
Elko Systems LLC	101	101
TorgPromAktiv LLC	24	24
CJSC RTM Development	22	22
Averstreid LLC	1	1
Effect of exchange rate changes	174	91
Total goodwill	**4 262**	**4 179**

In several cases acquisition of interest in the subsidiaries' charter capitals gave rise to excess of acquirer's interest in the net fair value of acquiree's net assets over cost, determined as the difference between the fair value of acquired share in net assets of the subsidiary and consideration paid by the Group.

	30 June 2007	**31 December 2006**
Marta Vermögensberatungs GmbH	54 803	-
Panteks LLC	1 246	1
Mobil Systems LLC	-	22 530
RTM – Odintsovo LLC	-	7 821
CJSC Kaskad	-	3 966
CJSC Mercury	-	2 670
TC Svobodnyi LLC	-	2 627
RTM – Samara LLC	-	2 254
MP Trading LLC	-	2 223
CJSC FPK Orbita	-	827
Expo Tekh LLC	-	510
DT 1 Era 2 LLC	-	155
Markon LLC	-	108
RTM – Lipetsk LLC	-	2
LLC RTM – Supermarkety	-	1
Effect of exchange rate changes	409	1 062
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**56 458**	**46 757**

(in thousands of US Dollars)

Marta Vermögensberatungs GmbH

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 9 January 2007
Investment property	115 295
Accounts receivable	2 615
Fixed assets	2 356
Cash and cash equivalents	957
Deferred income tax assets	37
Deferred income tax liabilities	(13 039)
Borrowings	(51 426)
Accounts payable	(1 861)
Total net assets	**54 934**
Consideration paid	(131)
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**54 803**

The Group acquired control over Marta Vermögensberatungs GmbH on 9 January 2007 while the transfer of rights have been registered on 20 February 2007. Management of the Group consider 9 January 2007 as the effective date of acquisition.

Panteks LLC

Assets and liabilities acquired and goodwill arising on acquisition are shown in the table below.

	At the date of the acquisition – 23 March 2007
Investment property	7 194
Loans issued	246
Accounts receivable	49
Other assets	33
VAT recoverable	26
Cash and cash equivalents	23
Deferred income tax liabilities	(1 697)
Accounts payable	(345)
Total net assets	**5 529**
Share of net assets acquired (49%)	**2 709**
Consideration paid	(1 463)
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**1 246**

The Group doesn't have any contingent liabilities related to acquisition of subsidiaries in addition to information disclosed in these interim consolidated financial statements.

32. Subsequent Events

On 2 August 2007 the Initial Public Offering results have been registered by the Federal Financial Market Services of the Russian Federation.

On 3 August 2007 SMH Limited increased its share in the Company to 50.04%.

On 20 August 2007 the stake of OAO "InvestRetailGroup" increased from 7.11% to 14.25%, the stake of SMH Limited decreased from 50.04% to 42.89%.

On 21 August 2007 the General Director of OAO RTM was changed.

On 11 September 2007 the extraordinary shareholders meeting have taken place. The decision reached was to approve the following stakes in the Company's subsidiaries to be pledged as collateral for anticipated loan of Merrill Lynch International:

- 100% stake in charter capital of Marta Fevmogensberatungs GmbH;
- 100% stake in share capital of CJSC FPK Orbita;

- 100% stake in share capital of CJSC Mercury;
- 100% stake in charter capital of TC Svobodniy LLC;
- 100% stake in charter capital of RTM Izmaylovsky LLC.

In late September the decision above was cancelled by the Group's shareholders.

On 17 October 2007 the extraordinary shareholders meeting have taken place. The decision made was to approve OAO RTM as a guarantor for anticipating long-term nonrenewable credit line of Sberbank of the Russian Federation to RTM Lipetsk LLC for the total amount of RUR 1 200 000 thousand (USD 46 482 thousand).

On 31 October 2007 the stake of UBS AG in the share capital of the Company increased from 0.21% to 5.18%.