

## **OAO RTM**

Interim Consolidated Financial Statements  
for the Six Months Ended 30 June 2008  
Together with Independent Auditor's  
Review Report



**BDO Unicon**  
Auditors and Consultants

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Independent Auditor's Review Report

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## Independent Auditor's Review Report

### To the Shareholders and the Board of Directors of OAO RTM

#### *Introduction*

We have reviewed the accompanying interim consolidated balance sheet of OAO RTM and its subsidiaries (together the "Group") as at 30 June 2008, and the related interim consolidated statements of income, cash flow and changes in equity for the six-month then ended. The accompanying interim consolidated financial statements are prepared in accordance with requirements of International Accounting Standard 34 "Interim Financial Statements". Management of the Group is responsible for the preparation of these interim consolidated financial statements. Our responsibility is to express a conclusion on these interim consolidated financial statement based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists in making inquiries, primarily of company personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A review of interim consolidated financial statements of the Group's subsidiary "RTM" Vermögensberatungs GmbH for the six months ended 30 June 2008 was conducted by another auditor whose review report dated 30 October 2008 revealed no deviations from International Financial Reporting Standards (IFRS) and comprised the emphasis of matter regarding the ability of "RTM" Vermögensberatungs GmbH to continue as a going concern.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Statements".

#### *Emphasis of Matter – Going Concern*

We draw your attention to Note 31 concerning the liquidity position of the Group. The Group has significant amount of borrowing which should be gradually repaid, the ability of the Group to obtain new borrowings and re-finance its existing borrowings is affected by the current situation on financial markets as disclosed in Note 2. The shareholders and management of the Group are seeking additional funding, although they have no binding agreement for additional finance nor commitment to provide additional funds. These conditions as disclosed in Notes 2 and 31 indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. These interim consolidated financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

#### *Emphasis of Matter – Concentration and Value of Assets*

We draw your attention to Note 6, Note 7, Note 8, Note 15 and Note 31 to these interim consolidated financial statements. As at 30 June 2008 the Group has significant balances of investment property in the amount of USD 732 245 thousand (Note 6), land plots under development and construction in progress in the amount of USD 172 381 thousand (Note 7), capital advances in the amount of USD 48 786 thousand (Note 8) and advances for property acquisition in the amount of USD 6 816 thousand that in the whole represent 89.1% of total assets of the Group. As disclosed in Note 2 current conditions prevailing on financial and real estate markets may affect the ability of the Group to recover the carrying amount of these assets that will impact financial position of the Group.

*Emphasis of Matter – Assets pledged*

We draw your attention to the information in Note 32 to these interim consolidated financial statements. As at 30 June 2008, the Group's assets in the amount of USD 730 371 thousand (67.8% of total assets) were pledged as collateral for borrowings received. Shares of several companies of the Group were also pledged as collateral against borrowed funds.

Denis A. Taradov  
Partner



31 October 2008  
BDO Unicon CJSC  
11/1, 125 Warshavskoye Shosse, Moscow, 117587, Russian Federation

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008**

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the review 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 2008, 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 2008 were authorized for issue on 31 October 2008 and signed by:



Sergey A. Khrapunov  
General Director



Tatiana A. Vostrova  
Director, Department of corporate  
financial reporting and audit


31 October 2008

**OAo RTM**  
**Interim Consolidated Balance Sheet as at 30 June 2008**  
*(in thousands of US Dollars)*

	Note	30 June 2008	31 December 2007
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	6	732 245	555 789
Land plots under development and construction in progress	7	172 381	130 480
Capital advances	8	48 786	31 070
Advances for property acquisition		6 816	14 357
VAT recoverable		38 470	30 420
Goodwill	33	9 216	8 807
Fixed assets		1 455	956
Other assets		513	863
Restricted cash	9	3 125	-
Deferred tax assets	28	6 563	688
<b>Total non-current assets</b>		<b>1 019 570</b>	<b>773 430</b>
<b>Current assets</b>			
Cash and cash equivalents	10	4 051	43 848
Loans issued and deposits	11	5 013	7 696
Accounts receivable	12	41 368	12 403
Advances	13	4 850	4 179
Investments held to maturity	14	78	6 269
Disposal groups classified as held for sale		-	6 860
Current income tax asset		1 257	799
Other assets		940	548
<b>Total current assets</b>		<b>57 557</b>	<b>82 602</b>
<b>Total assets</b>		<b>1 077 127</b>	<b>856 032</b>
<b>Equity and liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	15	331 003	230 159
Advances received	16	6 073	3 816
Accounts payable	17	682	506
Deferred tax liabilities	28	120 366	89 321
<b>Total non-current liabilities</b>		<b>458 124</b>	<b>323 802</b>
<b>Current liabilities</b>			
Borrowings	15	155 330	127 574
Advances received	16	4 444	5 009
Accounts payable	17	28 318	14 944
Disposal groups classified as held for sale		-	1
Current income tax liabilities		741	304
<b>Total current liabilities</b>		<b>188 833</b>	<b>147 832</b>
<b>Total liabilities</b>		<b>646 957</b>	<b>471 634</b>
<b>Equity</b>			
Share capital	18	5	5
Share premium		105 167	105 167
Treasury shares	18	(8 590)	(928)
Revaluation reserve for land plots under development	19	24 396	16 570
Accumulated reserve for exchange differences		38 814	22 237
Retained earnings		269 193	241 347
<b>Equity attributable to the shareholders of the parent company</b>		<b>428 985</b>	<b>384 398</b>
Minority interest	21	1 185	-
<b>Total equity</b>		<b>430 170</b>	<b>384 398</b>
<b>Total equity and liabilities</b>		<b>1 077 127</b>	<b>856 032</b>

  
Sergey A. Zhurapunov  
General Director

31 October 2008


  
Tatiana A. Vostrova  
Director, Department of corporate  
financial reporting and audit

**OAO RTM****Interim Consolidated Statement of Income for the Six Months Ended 30 June 2008***(in thousands of US Dollars)*

	Note	Six months ended 30 June 2008	Six months ended 30 June 2007
Revenue from investment property	22	36 307	24 977
Investment property operating expenses	23	(6 456)	(4 079)
Net gain from fair value adjustments on investment property	6	67 318	44 539
<b>Gross operating margin</b>		<b>97 169</b>	<b>65 437</b>
General and administrative expenses	24	(19 419)	(5 270)
<b>Operating profit</b>		<b>77 750</b>	<b>60 167</b>
Interest income	25	3 182	1 808
Interest expense	25	(28 410)	(17 299)
Gains less losses from revaluation of foreign currency and dealing in foreign currency		12 541	3 587
Income from assignment agreements		121	1 508
Provisions for impairment	26	(16 073)	321
Taxes other than income tax		(1 908)	(1 656)
Other income	27	3 721	458
Other expenses	27	(982)	(1 434)
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost	33	236	56 458
Gains less losses from subsidiaries sales	33	(318)	-
<b>Profit before taxation</b>		<b>49 860</b>	<b>103 918</b>
Income tax expense	28	(15 129)	(18 767)
<b>Net profit</b>		<b>34 731</b>	<b>85 151</b>
Attributable to:			
Shareholders of the parent company		34 771	84 958
Minority interest		(40)	193
<b>Basic and diluted earnings per share (US Dollar per share)</b>	<b>29</b>	<b>0.25</b>	<b>0.80</b>



Sergey A. Khrapunov  
General Director



Tatiana A. Vostrova  
Director, Department of corporate  
financial reporting and audit

31 October 2008

**OAO RTM**

**Interim Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2008**  
(in thousands of US Dollars)

	Note	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Cash flows from operating activities</b>			
Revenue from investment property		30 242	22 413
Investment property operating expenses		(6 238)	(4 078)
General and administrative expenses		(17 651)	(4 500)
Interest income	11, 14, 25	1 000	1 589
Interest expenses	15, 25	(23 315)	(17 027)
Increase from assignment agreement		121	1 508
Taxes other than income tax paid		(1 679)	(1 237)
Other income		3 721	250
Other expenses		(982)	(1 607)
Income tax paid		(2 624)	(1 754)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(17 405)</b>	<b>(4 443)</b>
<b>Net increase/decrease in operating assets and liabilities</b>			
Net increase in accounts receivable		22 159	130
Net increase in advances		(471)	217
Net increase in VAT recoverable		(6 509)	(1 947)
Net increase in restricted cash		(3 065)	-
Net increase in other assets		18	(40)
Net increase/(decrease) in accounts payable		(231)	6 126
Net increase/(decrease) in advances received		1 189	(1 361)
<b>Net cash flows used in operating activities</b>		<b>(4 315)</b>	<b>(1 318)</b>
<b>Cash flows from investing activities</b>			
Purchase of investment property	6	(538)	(3 209)
Purchase of land plots under development and constructions in progress	7	(57 436)	(10 950)
Sale of land plots under development and constructions in progress		-	3 909
Purchase of fixed assets		(696)	(917)
Capital advances paid		(15 961)	(17 830)
Repayment of advances received for property acquisition		8 049	-
Repayment of loans issued and deposits	11	81 152	81 994
Issuance of loans and placement of deposits	11	(128 108)	(56 586)
Financial assets held to maturity repaid	14	7 945	121
Purchase of financial assets held to maturity	14	(1 610)	(17 945)
Cash and cash equivalents of acquired subsidiaries		557	965
Cash and cash equivalents of disposed subsidiaries		(302)	-
Cash received from sale of subsidiary		40	-
Cash paid for acquired subsidiaries		(43 637)	(1 602)
<b>Net cash used in investing activities</b>		<b>(150 545)</b>	<b>(22 050)</b>
<b>Cash flows from financing activities</b>			
Borrowings received	15	227 827	50 597
Borrowings repaid	15	(105 831)	(82 729)
Issuance of share capital		-	1
Share premium		-	87 880
Legal and consulting services on share issue		-	(769)
Purchase of own shares		(7 662)	-
<b>Net cash flows used in financing activities</b>		<b>114 334</b>	<b>54 980</b>
Effect of exchange rate changes on cash and cash equivalents		729	1 710
<b>Net change in cash and cash equivalents</b>		<b>(39 797)</b>	<b>33 322</b>
Cash and cash equivalents as at the beginning of the period		43 848	2 340
<b>Cash and cash equivalents as at the end of the period</b>	<b>10</b>	<b>4 051</b>	<b>35 662</b>

Sergey A. Zhuravunov  
General Director

Tatiana A. Vostrova  
Director, Department of corporate  
financial reporting and audit

31 October 2008

The notes set out on pages 10 to 38 are an integral part of these interim consolidated financial statements




**OAo RTM**

**Interim Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2008**  
(in thousands of US Dollars)

	Equity attributable to the shareholders of the parent company							
	Share capital	Share premium	Treasury shares	Revaluation reserve for land plots under development	Accumulated reserve for exchange differences	Retained earnings	Minority interest	Total equity
<b>Balance as at 1 January 2007</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>10 191</b>	<b>3 092</b>	<b>126 561</b>	<b>2 519</b>	<b>142 367</b>
Issue of share capital	1	87 880	-	-	-	-	-	87 881
Expenses related to share capital issue	-	(769)	-	-	-	-	-	(769)
Revaluation of land plots under development (Note 19)	-	-	-	3 179	-	-	-	3 179
Deferred taxation on revaluation of land plots under development (Note 28)	-	-	-	(763)	-	-	-	(763)
Effect of exchange rate changes	-	-	-	204	3 737	-	-	3 941
Piecemeal acquisition of subsidiary (Note 21)	-	-	-	-	-	-	(2 672)	(2 672)
Net profit for the six months ended 30 June 2007	-	-	-	-	-	84 958	193	85 151
<b>Balance as at 30 June 2007</b>	<b>5</b>	<b>87 111</b>	<b>-</b>	<b>12 811</b>	<b>6 829</b>	<b>211 519</b>	<b>40</b>	<b>318 315</b>
<b>Balance as at 1 January 2008</b>	<b>5</b>	<b>105 167</b>	<b>(928)</b>	<b>16 570</b>	<b>22 237</b>	<b>241 347</b>	<b>-</b>	<b>384 398</b>
Purchase of own shares	-	-	(7 662)	-	-	-	-	(7 662)
Revaluation of land plots under development (Note 19)	-	-	-	9 284	-	-	-	9 284
Deferred taxation on revaluation of land plots under development (Note 28)	-	-	-	(2 228)	-	-	-	(2 228)
Repayment of contribution due to liquidation of joint venture (Note 20)	-	-	-	-	-	(6 925)	-	(6 925)
Effect of exchange rate changes	-	-	-	770	16 577	-	-	17 347
Piecemeal disposal of subsidiary (Note 21)	-	-	-	-	-	-	1 225	1 225
Net profit for the six months ended 30 June 2008	-	-	-	-	-	34 771	(40)	34 731
<b>Balance as at 30 June 2008</b>	<b>5</b>	<b>105 167</b>	<b>(8 590)</b>	<b>24 396</b>	<b>38 814</b>	<b>269 193</b>	<b>1 185</b>	<b>430 170</b>

  
Sergey A. Khrapunov  
General Director

  
Tatiana A. Vostrova  
Director, Department of corporate financial reporting and audit

31 October 2008

**OAOR TM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(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 principal activity of the Company and its subsidiaries is focused 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 to form a full developing cycle: from search and acquisition of land plots to management and maintenance of immovable property built on the land plots. As at 30 June 2008 the Group has significant balances of investment property in the amount of USD 732 245 thousand (Note 6), land plots under development and construction in progress in the amount of USD 172 381 thousand (Note 7), capital advances in the amount of USD 48 786 thousand (Note 8) and advances for property acquisition in the amount of USD 6 816 thousand that in the whole represent 89.1% of total assets of the Group.

The principal activities and locations of subsidiaries of the Group as at 30 June 2008 are as follows:

Operating entity	Country of registration	Principal activity	Ownership (%)	
			30 June 2008	31 December 2007
		Management of the project assets of the Group		
JSC "RTM Development"	Russia	Group	100%	100%
"RTM Management" LTD	Russia	Management of the project assets	100%	100%
"RTM Finance" LTD	Russia	Financial activity	100%	100%
CJSC "Kaskad"	Russia	Owner of project assets	100%	100%
CJSC "Mercury"	Russia	Owner of project assets	100%	100%
JSC "RTM Bryansk"	Russia	Owner of project assets	100%	100%
CJSC FPK "Orbita"	Russia	Owner of project assets	100%	100%
"Torgpromaktiv" LTD	Russia	Owner of project assets	100%	100%
"Averstrade" LLC	Russia	Owner of project assets	100%	100%
"VINART" LLC	Russia	Owner of project assets	100%	100%
"Dom trgovli № 1 "Era- 2" LLC	Russia	Owner of project assets	100%	100%
"INEX" LTD	Russia	Owner of project assets	100%	100%
"KASKAD" LLC	Russia	Owner of project assets	100%	100%
"KrasNedvizhimost" LTD	Russia	Owner of project assets	100%	100%
"Mobil Systems" LTD	Russia	Owner of project assets	100%	100%
"PANTEKS" LLC	Russia	Owner of project assets	100%	100%
"REKOM" LLC	Russia	Owner of project assets	100%	100%
OOO "Romex – invest"	Russia	Owner of project assets	100%	100%
"RTM Severniy" LTD	Russia	Owner of project assets	100%	100%
"RTM Lipetsk" LTD	Russia	Owner of project assets	100%	100%
"RTM - Izmaylovskiy" LTD	Russia	Owner of project assets	100%	100%
"RTM Odintsovo" LTD	Russia	Owner of project assets	100%	100%
"RTM – Samara" LTD	Russia	Owner of project assets	99%	99%
"RTM – Razvitie" LTD	Russia	Financial activity	100%	100%
"TEKHNOSOFT" LLC	Russia	Owner of project assets	100%	100%
"Tula Rekonstruktsiya" LTD	Russia	Owner of project assets	100%	100%
"TC Svobodniy" LLC	Russia	Owner of project assets	100%	100%
"FINTRADE" LLC	Russia	Owner of project assets	100%	100%
"ExpoTekh" LLC	Russia	Owner of project assets	100%	100%
"ELEGANS" LLC	Russia	Owner of project assets	100%	100%
"ELKO SYSTEMS" LLC	Russia	Owner of project assets	100%	100%
MP Trading LLC	Russia	Owner of project assets	100%	100%
Emsden Investments Limited	Cyprus	Financial activity	100%	100%
"RTM" Vermögensberatung GmbH	Austria	The company holds 100% stake in REMA Immobilien LLC	100%	100%
Mareal GmbH	Austria	The company holds 100% stake in REMA Immobilien LLC	-	75%
REMA Immobilien LLC	Russia	Owner of project assets	100%	75%
RTMA Limited	Cyprus	Financial activity	100%	-
RTMH Limited	Cyprus	Financial activity	100%	-
RTMD Limited	Cyprus	Financial activity	100%	-
RTMTC Limited	Cyprus	The company holds 90% stake in Dracundale Limited	100%	-

**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008****(in thousands of US Dollars)**

Operating entity	Country of registration	Principal activity	Ownership (%)	
			30 June 2008	31 December 2007
Dracundale Limited	Cyprus	The company holds 100% stake in Maersville Investments Limited	90%	-
Maersville Investments Limited	Cyprus	The company holds 100% stake in Hamlingate Investments Limited and Caseves Holding	90%	-
Hamlingate Investments Limited	Cyprus	Financial activity	90%	100%
Caseves Holding Limited	Cyprus	The company holds 99.9% stake in OOO "Markon"	90%	-
OOO "Markon"	Russia	Owner of project assets	90%	100%

Despite the fact, that on 30 June 2008 OAO RTM still owns 100% shares of "TEKHNOSOFT" LLC, the actual control of the entity was completely lost on 1 January 2008 due to the transfer of rights and obligations under joint construction investment agreement and passing of control over operational and financial activity to the third party.

Notwithstanding of the 99 % ownership in the charter capital of "RTM Samara" LTD the Group possesses 100% control over it.

On 10 February 2008 OAO RTM purchased 100% stake in charter capital of Tillerson Holdings Limited (Cyprus) which owns 90% stake in charter capital of Dracundale Limited in its turn. On 13 March 2008 Tillerson Holdings Limited (Cyprus) was renamed to RTMTC LIMITED (Cyprus).

On 14 February 2007 OAO RTM purchased 100% stake in charter capital of Fawns Investments Limited (Cyprus) and 100% stake in charter capital of Oneok Investments Limited (Cyprus). On 15 February 2008 Fawns Investments Limited (Cyprus) was renamed to RTMH LIMITED (Cyprus) and on 18 March 2008 Oneok Investments Limited (Cyprus) was renamed to RTMD LIMITED (Cyprus).

On 20 February 2008 "RTM" Vermögensberatung GmbH concluded a share purchase agreement to acquire of 100% stake in charter capital of REMA Immobilien LLC with Mareal GmbH. According to the agreement "RTM" Vermögensberatung GmbH will pay a purchase price of USD 113 714 thousand (EUR 75 327 thousand) by two tranches. The first tranche of the sale price in the amount of USD 42 991 thousand (EUR 28 478 thousand) was paid on 6 March 2008. The liability of "RTM" Vermögensberatung GmbH on the second tranche was settled in the following way: the amount of USD 70 561 thousand (EUR 46 742 thousand) was set-off and netted against Mareal GmbH liabilities on dividends payment and the rest amount USD 162 thousand (EUR 107 thousand) was paid in accordance with the terms of agreement. Also on 20 February 2008 "RTM" Vermögensberatung GmbH made an offer to Euro-Billa Holding Aktiengesellschaft to sell its 75% stake in Mareal GmbH for a nominal value EUR 26.25 thousand (USD 39.627 thousand). The offer was accepted on 14 April 2008. The payment of 75% stake in Mareal GmbH was made on 16 May 2008.

On 26 February OAO RTM transferred 99.9% stake in the charter capital of OOO "Markon" to its subsidiary Tillerson Holdings Limited (Cyprus) (later renamed to RTMTC LIMITED (Cyprus)). The remaining 0.1% in charter capital of OOO "Markon" belongs to OAO RTM as of reporting date.

On 27 February 2008 OAO RTM set up a company RTMA Limited.

On 11 March 2008 OAO RTM purchased from "RTM" Vermögensberatung GmbH 0.01% in charter capital of REMA Immobilien LLC.

On 2 April 2008 Dracundale Limited acquired 100% stake in charter capital of Myersville Investments Limited which was in its turn a parent company to Hamlingate Investments Limited (100% ownership) and Caseves Holding Limited (100% ownership).

On 16 May 2008 "RTM Voronezh Severniy" LTD was renamed as "RTM Severniy" LTD.

On 27 May 2008 the subsidiary RTMTC LIMITED (Cyprus) sold 99.9% stake in charter capital of OOO "Markon" to Caseves Holding Limited (Cyprus), subsidiary of OAO RTM. The remaining 0.1% in charter capital of OOO "Markon" belongs to OAO RTM as of reporting date.

**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)**

As at 30 June 2008 and 31 December 2007 the Company's shareholders were as follows:

Shareholder	Country of registration	30 June 2008	31 December 2007
SMH Limited	Cyprus	24.58%	42.89%
Pilot Holding GmbH	Austria	23.54%	9.29%
Clariden Leu Ltd.	Switzerland	12.55%	-
JP Morgan Funds	Luxemburg	6.31%	6.31%
KIT Finance Investment bank	Russia	4.39%	-
UBS AG	Switzerland	1.43%	4.96%
OJSC InvestRetailGroup	Russia	-	14.25%
Other	-	27.20%	22.30%
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>

As at 30 June 2008 the ultimate owner of the Group was Mr. Vyrypaev (71.4%).

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

Registered address of the Group: Russia, Moscow, Nizhnyaya Krasnoselskaya str. 28/2.

The average number of the Group's employees for the six months ended 30 June 2008 was 460 (2007: 393).

## 2. Operating Environment of the Group

### General

The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of relatively high inflation, a currency that is not freely convertible in most countries outside of the Russian Federation, and strong economic growth. 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.

### Inflation

The inflation indices for the last five years are given in the table below:

Year ended	Inflation for the period
31 December 2007	11.9%
31 December 2006	9.0%
31 December 2005	10.9%
31 December 2004	11.7%
31 December 2003	12.0%

The inflation index for the six months ended 30 June 2008 was at the rate 8.7%.

### Currency transactions

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

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

Date	USD	EUR
30 June 2008	23.4573	36.9077
31 December 2007	24.5462	35.9332
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

**Financial markets**

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 efficient, active market involving willing buyers and willing sellers. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary.

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and very high volatility in local and international stock markets. The uncertainties in the global financial markets, has also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing crisis is proving impossible to anticipate to date or fully insulate against.

The current situation on real estate market in Russia is characterized by absence of financial resources for new projects, freeze of current projects under construction, significant increase of offers for sale of investment property. Along with the reduction of volume of wholesale financing these circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings.

Debtors and partners of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available management have properly reflected revised estimates of expected future cash flows in their impairment assessments. However management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. The accompanying interim consolidated financial statements do not include the adjustments associated with this risk.

**3. Basis of Presentation****General principles**

These interim consolidated financial statements are prepared in accordance with IFRS 34 "Interim Financial Reporting". They do not include all of the information required by IFRS for a complete set of annual financial statements. Operating results for the six-month period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the year ended 31 December 2008.

The Group maintains its accounting records in accordance with the applicable legislation of the Russian Federation. 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 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 EUR. The functional currency of companies domiciled in Cyprus is US dollar. Taking into consideration the fact that the Group operates mostly in Russian Roubles, it has chosen Russian Roubles as functional currency. The Group chose US Dollar (USD) as the presentation currency of these interim consolidation financial statements.

As at the reporting date the assets and liabilities of Group are recalculated in US dollars at the rate as at the reporting date, and the income statement items are recalculated in US dollars at weighted average rate for the period of the six months ended 30 June 2008. The exchange rate differences arising due to recalculation are presented as a separate category in the statement of equity. The total amount of exchange rate differences attributable to subsidiaries or associated entities previously recognized in equity section of the balance sheet is recognized as a current period's income or expense at the moment of subsidiary or associated entity disposal.

As at 30 June 2008 the exchanged rate used for recalculation of the balance sheet's amounts denominated in Russian Rubles to US dollars is 23.4573 RUR to USD (as at 31 December 2007: 24.5462 RUR to USD). And the exchange rate used for recalculation of the balance sheet's amounts denominated in EUR is 0.6356 EUR for USD (as at 31 December 2007: 0.6831 EUR for USD). The weighted average exchange rate used for recalculation of the statement of income amounts denominated in Russian Rubles to US Dollar is 23.9184 RUR to USD (for the six month ended 30 June 2007: 26.0714 RUR to USD).

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 31 October 2008. These interim consolidated financial statements are available at the principal operating office of the Group (Note 1).

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The preparation of the 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 interim consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Issues that require best estimate and are most significant for the interim consolidated financial statements are disclosed in Notes 3 and 4.

**Going concern**

These interim consolidated financial statements have been prepared on the going concern basis however, the Group cash flow forecasts show additional funding is required to finance the Group's operations and development program. The Management of the Group is seeking additional funding; however, presently there is no agreement or commitment in place to provide extra funds. Accordingly, the Management is satisfied that the going concern basis remains appropriate for the preparation of the interim consolidated financial statements for the six months ended 30 June 2008.

**IFRSs and IFRIC interpretations not yet effective**

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 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009);
- IAS 23 "Borrowing Costs" (revised in March 2007) (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on 1 January 2009).

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

**Reclassification**

The following reclassifications have been made to the consolidated balance sheet for the year ended 31 December 2007 to conform to the presentation for the six months ended 30 June 2008:

	Before reclassification	After reclassification	Amount
Reclassification of guarantee payments received from lessees	Non-current accounts payable	Non-current advances received	3 816
Reclassification of guarantee payments received from lessees	Current accounts payable	Current advances received	673

The following reclassifications have been made to the interim consolidated statement of income for the six month ended 30 June 2007 to conform to the presentation for the six months ended 30 June 2008:

	Before reclassification	After reclassification	Amount
Reclassification of other expenses (audit, consulting and appraisal fees; rent expenses; utilities costs and repair of property's objects used for own needs)	Other expenses	General and administrative expenses	149
Reclassification of property tax expense	Other expenses	Taxes other than income tax	26

The following reclassifications have been made to the interim consolidated statement of cash flow for the six months ended 30 June 2007 to conform to the presentation for the six months ended 30 June 2008:

	Before reclassification	After reclassification	Amount
Capitalization of costs directly associated with land plots under development and constructions in progress	Interest Expense	Increase of land plots and constructions in progress	1 328
Capitalization of costs directly associated with land plots under development and constructions in progress	General and administrative expenses	Increase of land plots and constructions in progress	1 084
Reclassification of capital advances	Increase of capital advances	Increase of land plots and constructions in progress	8 538
Reclassification of advances	Net decrease of accounts receivables	Net increase of advances	217

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	Before reclassification	After reclassification	Amount
Reclassification of advances received	Net increase/(decrease) of accounts payable	Net increase/(decrease) of advances received	1 361
Reclassification of exchange rate changes to legal and consulting services on share issue	Effect of exchange rate changes on cash	Legal and consulting services on share issue	623

**Restatement of comparative information**

The Group corrected the comparative information regarding expenses related to share capital issuance.

**Interim consolidated statement of changes in equity for the six month ended 30 June 2007**

Item	Amount of correction	As reported	As restated	Description
Expense related to share capital issue	623	(146)	(769)	Correction for the expenses related to share capital issuance

**4. Summary of Accounting Policies**

The accompanying interim consolidated financial statements were prepared in accordance with the accounting policies disclosed in the Group's consolidated financial statements prepared under IFRS for the year ended 31 December 2007.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

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 most of its subsidiaries are located. Therefore, no segment reporting by geographical segments is reported.

**5. Significant Accounting Estimates**

The preparation of the interim consolidated financial statements in conformity with IFRS requires management of the Group 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 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 issued and deposits, accounts receivable and advances*

The Group regularly reviews its loans issued and deposits, accounts receivable and advances to assess impairment. The management of the Group uses its professional 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 issued and deposits and accounts receivable and advances.

*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.

**6. Investment Property**

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

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Investment property as at 1 January</b>	<b>555 789</b>	<b>278 341</b>
Carrying value of investment property of acquired subsidiaries	48 109	116 826
Transfer from land plots under development and construction in progress	31 388	23 636
Transfer from capital advances	-	8 791
Transfer from investment property to fixed assets	-	(13)
Net gain from fair value adjustments on investment property	67 318	44 539
Additions	460	-
Capital improvement of investment property	78	3 209
Disposal	-	(17)
Effect of exchange rate changes	29 103	8 641
<b>Investment property as at 30 June</b>	<b>732 245</b>	<b>483 953</b>

Carrying value of investment property of acquired subsidiaries in the amount of USD 48 109 is represented by the investment property of REMA Immobilien LLC due to purchase of 25% of its shares.

Within six months ended 30 June 2008 an investment property object situated at Nizhnaya Krasnoselskaya str. ("ExpoTekh" LLC) was transferred from "Land plots under development and construction in progress" to "Investment Property".

Within six months ended 30 June 2008 the Group registered its property rights for a land plot in Tula (USD 460 thousand).

As at 30 June 2008 the fair value of the Group's investment property has been assessed by the independent appraiser Colliers International LLC. The valuation was based on the income approach and sale comparison approach. Starting from 2007 the Group values the investment property on a semi-annual basis.

Below is the information on fair value of the Group's investment property:

Description of the project	Asset location	Company's name	Fair value as at 30 June 2008	Fair value as at 31 December 2007
Trade center (TC) "Park House 2"	Samara	CJSC "Mercury"	109 670	98 840
TC "Inetrcity"	Tula	"Mobil Systems" LTD	74 600	65 000
TC "Svobodniy"	Krasnoyarsk	"TC Svobodniy" LLC	66 898	65 000
TC, 2th Zeleniy prospect	Moscow	"ReMa Immobilien" LLC	34 089	21 816
Office centre, N.Krasnoselskaya str.	Moscow	"ExpoTekh" LLC	31 990	-
TC "Park House 1"	Samara	CJSC FPK "Orbita"	25 310	22 850
TC "Svobodniy" (3th stage)	Krasnoyarsk	KrasNedvizhimost LTD	24 058	21 190
TC "Vesna", Narodnogo Opolcheniya str.	Moscow	"ReMa Immobilien" LLC	20 024	11 956
Part of TC "Demidovskiy"	Tula	"INEX" LTD	19 570	17 520
TC, Isakovskogo str.	Moscow	"ReMa Immobilien" LLC	18 804	8 420
TC, Perovskaya str.	Moscow	"ReMa Immobilien" LLC	18 328	10 373
TC, Prokatnaya str.	Moscow	"ReMa Immobilien" LLC	18 085	12 065
TC "Bryansk"	Bryansk	JSC "RTM Bryansk"	17 880	15 428
TC "Izmaylovskiy"	St. Petersburg	"RTM - Izmaylovskiy" LTD	16 982	14 700
TC, Boulevard Yana Rainisa	Moscow	"ReMa Immobilien" LLC	16 893	8 873
TC, Krasnodarskaya str.	Moscow	"VINART" LLC	15 926	11 796
TC, Volgogradsky prospect	Moscow	"ReMa Immobilien" LLC	15 886	9 589
TC, Teply stan str.	Moscow	"VINART" LLC	13 833	8 879
TC, Shirokaya str.	Moscow	"ReMa Immobilien" LLC	13 618	7 453
TC, 9 th Parkovaya str.	Moscow	"ReMa Immobilien" LLC	13 082	7 773
TC "Union", 2th Bernikov pereulok	Moscow	"ReMa Immobilien" LLC	12 599	7 171
TC, Zhivopisnaya str.	Moscow	"ReMa Immobilien" LLC	11 488	6 453
TC, Beringov proyezd	Moscow	"ReMa Immobilien" LLC	10 908	6 034
TC, prospekt Veteranov	St. Petersburg	"FINTRADE" LLC	10 320	7 780
TC, Novocherkassky prospect	Moscow	"ReMa Immobilien" LLC	9 216	6 529
TC, Generala Beloborodova str.	Moscow	"ReMa Immobilien" LLC	8 249	4 362
TC, Mikhailovskaya str.	Moscow	"ReMa Immobilien" LLC	7 913	4 327
TC, Novomytischinsky prospect	Mytischki	"Averstrade" LLC	7 671	5 700



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**Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
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Description of the project	Asset location	Company's name	Fair value as at 30 June 2008	Fair value as at 31 December 2007
TC, "Blindonalds"	St. Petersburg	"VINART" LLC	5 620	4 910
TC, Letchika Babushkina str.	Moscow	"ReMa Immobilien" LLC	5 456	3 391
Part of TC "Kosmos", Dovatorsev str.	Stavropol	"ELEGANS" LLC	5 455	6 897
Part of TC "Bumerang", prospekt Khrushchova	Kursk	CJSC "Kaskad"	5 223	5 573
TC, Malygina str.	Moscow	"PANTEKS" LLC	5 211	4 306
TC, Khlobystova str.	Moscow	"ReMa Immobilien" LLC	4 598	2 676
Part of TC "Triumf", prospekt Pobedy	Kursk	CJSC "Kaskad"	4 379	6 048
TC, Obrucheva str.	Moscow	"VINART" LLC	4 056	3 368
TC, Rizhsky proyезд	Moscow	"ReMa Immobilien" LLC	4 044	2 536
Part of TC "Kristall", prospekt Kulakova	Kursk	CJSC "Kaskad"	3 623	4 373
TC, Petrozavodskaya str.	Moscow	"PANTEKS" LLC	2 911	3 285
TC, Said-Galeeva str.	Kazan	"KASKAD" LLC	2 800	2 290
TC, Moskovsky prospect	Voronezh	"Dom trgovli № 1 "Era- 2" LLC	2 737	2 356
Part of TC "Grand", Krasnoy Armii str.	Kursk	CJSC "Kaskad"	2 210	1 909
TC, Kolomenskaya str.	Moscow	"PANTEKS" LLC	1 819	1 640
TC, Sibirsky trakt str.	Kazan	MP Trading LLC	1 696	3 025
TC, Gvardeyskaya str.	Kazan	"KASKAD" LLC	1 652	2 553
TC, Akademiya Zavoyskogo str.	Kazan	MP Trading LLC	1 605	2 156
TC, Gagarina str.	Kazan	"ELKO SYSTEMS" LLC	1 293	1 685
TC, Mira str.	Kazan	MP Trading LLC	1 270	2 040
TC, Akademiya Glushko str.	Kazan	MP Trading LLC	697	895
<b>Total investment property</b>			<b>732 245</b>	<b>555 789</b>

The information about pledged assets is presented in Note 32.

**7. Land Plots under Development and Construction in Progress**

Below is the information on changes of carrying value of land plots under development and construction in progress:

	Land plots under development	Construction in progress	Total
<b>Balance as at 1 January 2007</b>	<b>36 914</b>	<b>60 912</b>	<b>97 826</b>
Carrying value of land plots under development and construction in progress of acquired subsidiaries	-	1 500	1 500
Capital expenditures	-	7 038	7 038
Sale of construction in progress	-	(3 128)	(3 128)
Cancellation of construction agreement	-	(781)	(781)
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)
Effect of exchange rate changes	736	1 052	1 788
<b>Balance as at 30 June 2007</b>	<b>40 829</b>	<b>45 369</b>	<b>86 198</b>
<b>Balance as at 1 January 2008</b>	<b>47 279</b>	<b>83 201</b>	<b>130 480</b>
Capital expenditures	-	51 903	51 903
Interest expense capitalised	-	2 086	2 086
Other direct costs capitalised	-	3 447	3 447
Revaluation	9 284	-	9 284
Transfer to investment property	-	(31 388)	(31 388)
Effect of exchange rate changes	2 196	4 373	6 569
<b>Balance as at 30 June 2008</b>	<b>58 759</b>	<b>113 622</b>	<b>172 381</b>

At 30 June 2008 land plots under development are stated at revaluated amount determined by independent appraiser Colliers International LLC by applying the income approach and sales comparison approach. Starting from 2007 the Group values the land plots under development on a semi-annual basis.

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Construction in progress is stated at cost.

Below is the information on Group's investment projects under construction:

Description of the project	Asset location	Company's name	Carrying value as at 30 June 2008	Carrying value as at 31 December 2007
TC Gallery "Odintsovo"	Odintsovo district, Likhino village	"RTM Odintsovo" LTD	57 603	26 645
TC, Tereshkovoy str.	Lipetsk	"RTM Lipetsk" LTD	37 060	18 476
TC "Dunayskaya perspektiva", M. Balkanskaya str.	St. Petersburg	OOO "Romex – invest"	34 081	19 849
TC, "Kushelevka"	St. Petersburg	OOO "Markon"	20 684	17 192
TC, Fizkulturnaya str.	Samara	"RTM – Samara" LTD	21 852	19 011
TC "Svobodniy" (5th construction stage)	Krasnoyarsk	"TC Svobodniy" LLC	908	334
TC, Lenina str.	Kursk	CJSC "Kaskad"	193	-
Office centre, N.Krasnoselskaya str.	Moscow	"ExpoTekh" LLC	-	28 973
<b>Total land plots under development and construction in progress</b>			<b>172 381</b>	<b>130 480</b>

The information about assets pledged is presented in Note 32.

**8. Capital Advances**

Description of the project	Company's name	30 June 2008	31 December 2007
<b>Capital advances under co-financing agreements</b>			
TC, Lenina str., Kursk	CJSC "Kaskad"	4 009	3 832
<b>Total capital advances under co-financing agreements</b>		<b>4 009</b>	<b>3 832</b>
<b>Capital advances to constructors</b>			
TC "Kushelevka", St. Petersburg	OOO "Markon"	15 310	94
TC, Tereshkovo str., Lipetsk	"RTM Lipetsk" LTD	10 408	4 410
TC "Gallery Odintsovo", Odintsovo district, Likhino village	"RTM Odintsovo" LTD	10 303	13 119
TC, Fizkulturnaya str., Samara	"RTM – Samara" LTD	6 886	3 884
TC "Dunayskaya perspektiva", M. Balkanskaya str., St.Petersburg	OOO "Romex – invest"	1 403	5 367
TC "Svobodniy" (5th construction stage), Krasnoyarsk	"TC Svobodniy" LLC	325	171
Office center, N.Krasnoselskaya str., Moscow	"ExpoTekh" LLC	142	193
<b>Total capital advances to constructors</b>		<b>44 777</b>	<b>27 238</b>
<b>Total capital advances</b>		<b>48 786</b>	<b>31 070</b>

As at 30 June 2008 Capital advances under co-financing agreement in the amount of USD 4 009 thousand (31 December 2007: USD 3 832 thousand) represent funds paid under the agreement concluded with "Kursktorgtehnika-plus" LLC. The construction of the co-financed object (Lenina str., Kursk) was completed after the reporting date and in August 2008 the permission for putting the real estate into operation was obtained. The state registration of the object is still under process.

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.

Movements in the provision for capital advances are as follows:

Note	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Provision for impairment of capital advances as at 1 January</b>	-	<b>104</b>
Change in provision for impairment of capital advances during the reporting period	26	(104)
<b>Provision for impairment of capital advances as at 30 June</b>	<b>-</b>	<b>-</b>

The information about assets pledged is presented in Note 32.

**9. Restricted Cash**

Group has to maintain a bank deposit (restricted cash) in the amount of USD 3 125 thousand to ensure repayment of interest on loan received from C.R.R.B.V. in the amount of USD 112 000 thousand.

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**Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
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**10. Cash and Cash Equivalents**

	30 June 2008	31 December 2007
Cash in banks	4 048	43 786
Cash on hand	3	62
<b>Total cash and cash equivalents</b>	<b>4 051</b>	<b>43 848</b>

**11. Loans Issued and Deposits**

	30 June 2008	31 December 2007
Loans issued	13 621	2 291
Bank deposits	-	5 405
Less: provision for impairment of loans issued and deposits	(8 608)	-
<b>Total loans issued and deposits</b>	<b>5 013</b>	<b>7 696</b>

Interest rates on loans issued to legal entities varied from 4% to 21% per annum (2007: from 0.0% to 21 % per annum).

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

	Note	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Provision for impairment of loans issued and deposits as at 1 January</b>		-	179
Change in provision for impairment of loans issued and deposits during the reporting period	26	8 442	(181)
Effect of exchange rate changes		166	2
<b>Provision for impairment of loans issued and deposits as at 30 June</b>		<b>8 608</b>	<b>-</b>

As at 30 June 2008 and 31 December 2007 the loans issued and deposits are not collateralised.

Below is a credit quality analysis of current loans issued as at 30 June 2008:

	Current and unimpaired	Individually impaired	Total
Loans issued	4 811	8 810	13 621
Less: provision for impairment of loans issued	-	(8 608)	(8 608)
<b>Total loans issued and deposits</b>	<b>4 811</b>	<b>202</b>	<b>5 013</b>

As at 30 June 2008 individually impaired loans comprised of loans issued to “TEKHNOSOFT” LLC and “Marta Development” LLC. These loans are overdue for the period of 180 days and a provision for impairment was created for them in the amount of 100% and 50% accordingly.

Below is an analysis of individually impaired loans issued as at 30 June 2008:

	Current	Overdue		Total
		Less 1 month	From 1 month to 6 months	
Loans issued	624	1 974	6 212	8 810
Less: provision for impairment of loans issued	(624)	(1 961)	(6 023)	(8 608)
<b>Total of individually impaired and overdue but not impaired loans issued and deposits</b>	<b>-</b>	<b>13</b>	<b>189</b>	<b>202</b>

Below is a credit quality analysis of current loans issued and deposits as at 31 December 2007:

	Current and unimpaired	Total
Bank deposits	5 405	5 405
Loans issued	2 291	2 291
Less: provision for impairment of loans issued and deposits	-	-
<b>Total loans issued and deposits</b>	<b>7 696</b>	<b>7 696</b>

**OAO RTM**

**Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
(in thousands of US Dollars)

Movements in current loans issued and deposits for the six months ended 30 June 2008 and for the six months ended 30 June 2007 are as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Current loans issued and deposits as at 1 January</b>	<b>7 696</b>	<b>26 674</b>
Issue of loans (placement of deposits)	128 108	56 586
Repayment of loans (return of deposits)	(81 152)	(51 208)
Interest received	(553)	(993)
Interest accrued	3 001	1 108
Foreign exchange differences	(206)	(21)
Net movement on assignment contracts	(43 736)	(21 558)
Effect of exchange rate changes	463	234
<b>Current loans issued and deposits as at 30 June</b>	<b>13 621</b>	<b>10 822</b>

Loans issued to related parties are disclosed in Note 30.

The information about assets pledged assets is presented in Note 32.

**12. Accounts Receivable**

	30 June 2008	31 December 2007
Accounts receivable attributed to venture project development	34 330	-
Rental receivables	12 839	6 730
Receivables on utilities reimbursable by tenants	940	492
Receivables on assignment contracts	866	1 492
Receivables due from employees	91	122
Receivables on agency agreements with tenants	19	831
Receivables on investment property sale	-	703
Receivables on agency agreement	-	2 060
Other	1 478	673
Less: provision for impairment of accounts receivable	(9 195)	(700)
<b>Total accounts receivable</b>	<b>41 368</b>	<b>12 403</b>

Movement in the provision for impairment of accounts receivable for the six months ended 30 June 2008 are as follows:

	Note	Rental receivables	Receivables on utilities reimbursable by tenants	Receivables on assignment contracts	Other	Total
<b>Provision for impairment of accounts receivable as at 1 January 2008</b>		<b>551</b>	<b>68</b>	<b>67</b>	<b>14</b>	<b>700</b>
Change in provision for impairment of accounts receivable during the reporting period	25	8 066	143	-	80	8 289
Effect of exchange rate changes		184	6	3	3	196
Transfer from advances		-	-	-	10	10
<b>Provision for impairment of accounts receivable as at 30 June 2008</b>		<b>8 801</b>	<b>217</b>	<b>70</b>	<b>107</b>	<b>9 195</b>

As at 30 June 2008 a 100% provision was created for rental receivables from OOO "Torgovaya Nedvizhimost" and OOO "Elekskor" in the amount of USD 7 222 thousand. The impaired amount is calculated as a difference between total accounts receivables and guarantee payments received from mentioned customers for rental services.

Movement in the provision for impairment of accounts receivable for the six months ended 30 June 2007 are as follows:

	Note	Rental receivables	Receivables on utilities reimbursable by tenants	Other	Total
<b>Provision for impairment of accounts receivable as at 1 January 2007</b>		<b>-</b>	<b>93</b>	<b>4</b>	<b>97</b>
Change in provision for impairment of accounts receivable during the reporting period	25	17	(32)	87	72
Effect of exchange rate changes		-	1	1	2
<b>Provision for impairment of accounts receivable as at 30 June 2007</b>		<b>17</b>	<b>62</b>	<b>92</b>	<b>171</b>

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**Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
(in thousands of US Dollars)

As at 30 June 2008 and 31 December 2007 the accounts receivable are not collateralised.

Below is a credit quality analysis of accounts receivable in respect of credit quality as at 30 June 2008:

	Current and unimpaired	Overdue but not impaired	Individually impaired	Total
<b>Accounts Receivable</b>				
Accounts receivable attributed to venture project development	34 330	-	-	34 330
Rental receivables	2 317	2	10 520	12 839
Receivables on utilities reimbursable by tenants	752	-	188	940
Receivables on assignment contracts	726	-	140	866
Receivables due from employees	91	-	-	91
Receivables on agency agreements with tenants	19	-	-	19
Other	1 452	-	26	1 478
Less: provision for impairment of accounts receivable	-	-	(9 195)	(9 195)
<b>Total accounts receivable</b>	<b>39 687</b>	<b>2</b>	<b>1 679</b>	<b>41 368</b>

As at 30 June 2008 the overdue but not impaired accounts receivable in the amount USD 2 thousand has an overdue time period from 1 day to 1 month. The management of the Group considered that these accounts receivable don't have characteristics of impairment.

Below is an analysis of individually impaired accounts receivable as at 30 June 2008:

	Current	Overdue					Total
		Less 1 month	From 1 month to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	
<b>Accounts Receivable</b>							
Rental receivables	1 132	1 263	5 242	1 929	954	-	10 520
Receivables on utilities reimbursable by tenants	-	6	133	-	8	41	188
Receivables on assignment contracts	-	-	-	114	26	-	140
Other	-	-	1	1	24	-	26
Less: provision for impairment of accounts receivable	(806)	(913)	(4 830)	(1 593)	(1 012)	(41)	(9 195)
<b>Total of impairment accounts receivable</b>	<b>326</b>	<b>356</b>	<b>546</b>	<b>451</b>	<b>-</b>	<b>-</b>	<b>1 679</b>

Below is a credit quality analysis of current accounts receivable in respect of credit quality as at 31 December 2007:

	Current and unimpaired	Overdue but not impaired	Individually impaired	Total
<b>Accounts Receivable</b>				
Rental receivables	5 953	191	586	6 730
Receivables on utilities reimbursable by tenants	435	5	52	492
Receivables on assignment contracts	1 359	-	133	1 492
Receivables due from employees	122	-	-	122
Receivables on agency agreements with tenants	831	-	-	831
Receivables on investment property sale	703	-	-	703
Receivables on agency agreement	2 060	-	-	2 060
Other	659	-	14	673
Less: provision for impairment of accounts receivable	-	-	(700)	(700)
<b>Total accounts receivable</b>	<b>12 122</b>	<b>196</b>	<b>85</b>	<b>12 403</b>

As at 31 December 2007 the overdue but not impaired accounts receivable the amount USD 196 thousand has an overdue time period from 1 day to 1 year. The management of the Group considered that these accounts receivable don't have characteristics of impairment.

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**Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
(in thousands of US Dollars)

Below is an analysis of individually impaired accounts receivable as at 31 December 2007:

	Overdue					Total
	Less 1 month	From 1 month to 6 months	From 6 months to 1 year	From 1 year to 5 years	More than 5 years	
<b>Accounts Receivable</b>						
Rental receivables	470	-	55	61	-	586
Receivables on utilities reimbursable by tenants	-	-	11	-	41	52
Receivables on assignment contracts	-	133	-	-	-	133
Other	-	-	11	3	-	14
Less: provision for impairment of accounts receivable	(470)	(66)	(59)	(64)	(41)	(700)
<b>Total of impairment accounts receivable</b>	-	67	18	-	-	85

As at 30 June 2008 and 31 December 2007 there are no renegotiated balances representing the carrying amount of accounts receivable that would otherwise be past due whose terms have been renegotiated.

The receivables of related parties are disclosed in Note 30.

**13. Advances**

	30 June 2008	31 December 2007
Advances paid under operating lease agreements	1 883	1 695
Advances paid under services agreements	1 569	1 906
Advances paid under utilities agreements	1 117	623
Other	487	159
Less: provision for impairment of advances	(206)	(204)
<b>Total advances</b>	<b>4 850</b>	<b>4 179</b>

Movements in the provision for impairment of advances for the six months ended 30 June 2008 are as follows:

	Note	Advances paid under services agreements	Advances paid under utilities agreements	Other	Total
<b>Provision for impairment of advances as at 1 January 2008</b>		95	7	102	204
Change in provision for impairment of advances during the period	26	-	-	4	4
Transfer to accounts receivable		(10)	-	-	(10)
Effect of exchange rate changes		2	1	5	8
<b>Provision for impairment of advances as at 30 June 2008</b>		<b>87</b>	<b>8</b>	<b>111</b>	<b>206</b>

Movements in the provision for impairment of advances for the six months ended 30 June 2007 are as follows:

	Note	Advances paid under services agreements	Total
<b>Provision for impairment of advances as at 1 January 2007</b>		162	162
Change in provision for impairment of advances during the period	26	(156)	(156)
Effect of exchange rate changes		3	3
<b>Provision for impairment of advances as at 30 June 2007</b>		<b>9</b>	<b>9</b>

**14. Investments Held to Maturity**

	30 June 2008	31 December 2007
Promissory notes of commercial organisations	78	1 127
Bank's bills of exchange	-	5 787
Less: provision for impairment of investments held to maturity	-	(645)
<b>Total investments held to maturity</b>	<b>78</b>	<b>6 269</b>

As at 30 June 2008 investments held to maturity include promissory notes issued by CJSC "Zhemchuzhina" (USD 11 thousand) and CJSC "Laguna" (USD 67 thousand).

As at 31 December 2007 investments held to maturity include bills of exchange of Commercial Bank "Transportny" (limited company) (USD 5 787 thousand).

As at 31 December 2007 investments held to maturity include promissory notes issued by CJSC "Zhemchuzhina" (USD 11 thousand), CJSC "Laguna" (USD 64 thousand), Vintens LLC (USD 407 thousand) and Diakom LLC (USD 645 thousand).

As at 31 December 2007 a 100% provision for impairment of investments held to maturity was created in respect to promissory notes issued by Diakom LLC.

Movements of investments held to maturity are as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Carrying value as at 1 January</b>	<b>6 914</b>	<b>1 048</b>
Purchase	1 610	17 945
Repayment	(7 945)	(121)
Interest income accrued	88	297
Interest income received	(354)	(175)
Net movement on assignment contracts	(418)	14
Effect of exchange rate changes	183	196
<b>Carrying value as at 30 June</b>	<b>78</b>	<b>19 204</b>

Movements in the provision for impairment of promissory note issued by commercial organisations held to maturity are as follows:

	Note	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Provision for impairment of investments held to maturity as at 1 January</b>		<b>645</b>	<b>933</b>
Change in provision for impairment of investments held to maturity during the reporting period	25	(662)	48
Effect of exchange rate changes		17	18
<b>Provision for impairment of investments held to maturity as at 30 June</b>		<b>-</b>	<b>999</b>

As at 30 June 2008 all investments held to maturity are current and unimpaired.

Below is a credit quality analysis of investments held to maturity in respect of credit quality as at 31 December 2007:

	Current and unimpaired	Individually impaired	Total
Promissory notes of commercial organisations	482	645	1 127
Bank's bills of exchange	5 787	-	5 787
Less: provision for impairment of investments held to maturity	-	(645)	(645)
<b>Total investments held to maturity</b>	<b>6 269</b>	<b>-</b>	<b>6 269</b>

As at 31 December 2007 individually impaired investments held to maturity are overdue for the period from 1 year to 5 years with provision for impairment amounting to 100%.

The information about assets pledged is presented in Note 32.

**15. Borrowings**

	30 June 2008	31 December 2007
<b>Borrowings from banks</b>		
Non-current borrowings from banks	166 024	173 761
Current borrowings from banks	115 902	100 523
<b>Total borrowings from banks</b>	<b>281 926</b>	<b>274 284</b>
<b>Borrowings from commercial organisations</b>		
Non-current borrowings from commercial organisations	164 979	56 398
Current borrowings from commercial organisations	39 428	27 051
<b>Total borrowings from commercial organisations</b>	<b>204 407</b>	<b>83 449</b>
<b>Non-current borrowings</b>	<b>331 003</b>	<b>230 159</b>
<b>Current borrowings</b>	<b>155 330</b>	<b>127 574</b>
<b>Total borrowings</b>	<b>486 333</b>	<b>357 733</b>

Interest rates on rouble borrowings from banks ranged from 11% to 18% per annum (2007: from 10% to 16% per annum). Interest rates on borrowings from banks in USD were between 5.96% and 18% per annum (2007: from 11% to 18% per annum). Floating interest rate on borrowings from banks in USD in 2008 and 2007 was linked to LIBOR (3 m LIBOR + 7.5 %). Interest rates on borrowings from banks in EUR were at the rate 5.21% per annum (2007: 1 m EURIBOR + 1.1%).

Interest rates on rouble borrowings from commercial organisations ranged from 0% to 16.75% per annum (2007: 0% to 17% per annum) and on USD-denominated borrowings from commercial organisations were at the rate 15% per annum (2007: 12% and 15% per annum). Interest rates on EUR-denominated borrowings from commercial organisations were at the rate between 4% and 17.27% per annum (2007: 4% and 5% per annum).

As at 30 June 2008 the Group had the outstanding payables to 3 creditors (as at 31 December 2007: 2) on borrowings exceeded 10% of the Group's equity. The aggregate amount of these borrowings was USD 262 228 thousand or 53.92% of borrowings portfolio (as at 31 December 2007: USD 112 843 thousand or 31.54%).

Movement in non-current borrowings for the six months ended 30 June 2008 and for the six months ended 30 June 2007 are as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Non-current borrowings as at 1 January</b>	<b>230 159</b>	<b>153 529</b>
Borrowings of acquired entities	-	40 003
Receipt of borrowings	147 295	13 872
Repayment of borrowings	(32 443)	(5 464)
Interest repaid	(15 912)	(8 589)
Interest accrued	20 379	8 933
Foreign exchange differences	(8 460)	(2 104)
Reclassification to current borrowings from non-current	(23 085)	(18 094)
Other movement	647	(748)
Effect of exchange rate changes	12 423	3 336
<b>Non-current borrowings as at 30 June</b>	<b>331 003</b>	<b>184 674</b>

Movement in current borrowings for the six months ended 30 June 2008 and for the six months ended 30 June 2007 are as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Current borrowings as at 1 January</b>	<b>127 574</b>	<b>91 394</b>
Receipt of borrowings	80 532	36 725
Repayment of borrowings	(73 388)	(77 265)
Interest repaid	(7 282)	(8 297)
Interest accrued	8 308	8 366
Foreign exchange differences	(73)	(753)
Reclassification to current borrowings from non-current	23 085	18 094
Other movement	(9 768)	12 705
Effect of exchange rate changes	6 342	2 095
<b>Current borrowings as at 30 June</b>	<b>155 330</b>	<b>83 064</b>

The information about assets pledged is presented in Note 32.



**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)****16. Advances Received**

	30 June 2008	31 December 2007
<b>Non-current advances received</b>		
Guarantee payments received from lessees	6 073	3 816
<b>Total non-current advances received</b>	<b>6 073</b>	<b>3 816</b>
<b>Current advances received</b>		
Guarantee payments received from lessees	2 138	673
Advances received from lessees	2 130	4 333
Advances received from lessees on utilities reimbursable	110	-
Other	66	3
<b>Total current advances received</b>	<b>4 444</b>	<b>5 009</b>
<b>Total advances received</b>	<b>10 517</b>	<b>8 825</b>

**17. Accounts Payable**

	30 June 2008	31 December 2007
<b>Non-current accounts payable</b>		
Finance leases payable	518	495
Other	164	11
<b>Total non-current accounts payable</b>	<b>682</b>	<b>506</b>
<b>Current accounts payable</b>		
Payables to capital construction services providers	12 668	2 208
Payable for immovable property acquisition	3 954	3 996
Wages and salaries payable	2 506	1 018
Taxes payable other than income tax	2 401	2 518
Payable for promissory notes	1 868	1 785
Payables including maintenance, utilities and management of shopping centers	1 481	1 203
Payable for financial transactions (assignment)	518	523
Operating leases payable	242	128
Other	2 680	1 565
<b>Total current accounts payable</b>	<b>28 318</b>	<b>14 944</b>
<b>Total accounts payable</b>	<b>29 000</b>	<b>15 450</b>

**18. Share Capital**

As at 30 June 2008 the number of authorised, issued and fully paid shares of the Company amounted to USD 5 thousand (as at 31 December 2007: USD 5 thousand).

The information about share capital is presented below:

	30 June 2008			31 December 2007		
	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 share	140 000 000	0.00004	5 423	140 000 000	0.00004	5 423
<b>Total share capital</b>	<b>140 000 000</b>	<b>0.00004</b>	<b>5 423</b>	<b>140 000 000</b>	<b>0.00004</b>	<b>5 423</b>

In May 2008 OAO RTM reacquired 3 530 500 treasury shares at the price of USD 2.17 (RUR 51.38) per share.

On 22 November 2007 OAO RTM reacquired 345 000 treasury shares at the price of USD 2.69 (RUR 65.48) per share.

As at 30 June 2008 treasury share reacquired by the Company is amounted to USD 8 590 thousand (as at 31 December 2007: USD 928 thousand).

**19. Revaluation Reserve for Land Plots under Development**

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Revaluation reserve for land plots under development as at 1 January</b>	<b>16 570</b>	<b>10 191</b>
Revaluation of land	9 284	3 179
Deferred tax liabilities arising on revaluation of land	(2 228)	(763)
Effect of exchange rate changes	770	204
<b>Revaluation reserve for land plots under development as at 30 June</b>	<b>24 396</b>	<b>12 811</b>

**20. Repayment of Contribution due to Liquidation of Joint Venture**

Until 15 April 2008 “RTM” Vermögensberatung GmbH held 75% shares in Mareal GmbH which owned 100% shares in REMA Immobilien LLC. This jointly controlled company was consolidated by using the proportionate consolidation method.

20 February 2008 “RTM” Vermögensberatung GmbH offered to sell its 75% stake in Mareal GmbH to Euro-Billa Holding Aktiengesellschaft for a nominal value of EUR 26.25 thousand (USD 39.627 thousand). The offer was accepted on 15 April 2008 and therefore the Group ceased consolidation of MAREAL starting 31 March 2008. The repayment of the additional paid in capital of Mareal GmbH to the venturer Euro-Billa Holding Aktiengesellschaft prior to sale caused a decrease of retained earnings of the Group in the amount of USD 6 925 thousand.

**21. Minority Interest**

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Minority interest as at 1 January</b>	-	<b>2 519</b>
Share in net profit / (loss)	(40)	193
Decrease of minority interest due to piecemeal acquisition of subsidiaries	-	(2 672)
Increase of minority interest due to piecemeal disposal of subsidiaries	1 225	-
<b>Minority interest as at 30 June</b>	<b>1 185</b>	<b>40</b>

The increase of minority interest attributed to disposal of 99.9% stake in OOO “Markon” to Group’s subsidiary Caseves Holding Limited controlled by Group on 90%.

**22. Revenue from Investment Property**

	Six months ended 30 June 2008	Six months ended 30 June 2007
Rental income and reimbursement of utilities by tenants	35 499	24 106
Revenue from services related to management and maintenance of investment property	808	871
<b>Total revenue from investment property</b>	<b>36 307</b>	<b>24 977</b>

**23. Investment Property Operating Expenses**

	Six months ended 30 June 2008	Six months ended 30 June 2007
Utilities costs	2 644	2 392
Expenses for the projects management	2 145	420
Maintenance of investment property	1 253	850
Repair of investment property	275	417
Other	139	-
<b>Total investment property operating expenses</b>	<b>6 456</b>	<b>4 079</b>

**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
**(in thousands of US Dollars)****24. General and Administrative Expenses**

	Six months ended 30 June 2008	Six months ended 30 June 2007
Staff costs	7 626	1 368
Audit, consultancy and appraisal fee	5 814	1 036
Rent	1 702	744
Security and other professional services	752	861
Utilities costs and repair of fixed assets	713	8
Marketing and advertising	653	338
Information and subscription	518	70
Bank charges	340	287
Communication	333	165
Supplies	292	69
Depreciation of fixed assets	249	127
Insurance	152	74
Travel	103	87
Legal and notary services	89	20
Other	83	16
<b>Total general and administrative expenses</b>	<b>19 419</b>	<b>5 270</b>

**25. Interest Income and Interest Expense**

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Interest income</b>		
Interest income on loans issued and deposits	3 001	1 511
Interest income on investments held to maturity	88	297
Other finance income	93	-
<b>Total interest income</b>	<b>3 182</b>	<b>1 808</b>
<b>Interest expense</b>		
Interest expenses on borrowings from banks	(15 802)	(13 206)
Interest expenses on borrowings from commercial organizations	(12 487)	(3 952)
Other finance costs	(79)	-
Finance lease costs	(42)	(141)
<b>Total interest expense</b>	<b>(28 410)</b>	<b>(17 299)</b>
<b>Net interest expense</b>	<b>(25 228)</b>	<b>(15 491)</b>

**26. Provisions for Impairment**

	Note	Six months ended 30 June 2008	Six months ended 30 June 2007
Change in provision for impairment of capital advances	8	-	104
Change in provision for impairment of loans issued and deposits	11	(8 442)	181
Change in provision for impairment of accounts receivable	12	(8 289)	(72)
Change in provision for impairment of advances	13	(4)	156
Change in provision for impairment of investments held to maturity	14	662	(48)
<b>Total provision for impairment</b>		<b>(16 073)</b>	<b>321</b>

**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)****27. Other Income and Other Expenses**

	Six months ended 30 June 2008	Six months ended 30 June 2007
Income due to changes in terms and cancellation of liabilities under the rent agreement	2 973	-
Fines and penalties	467	-
Gains less losses from assets sales	3	73
Income from operations with property rights	-	207
Other income	278	178
<b>Total other income</b>	<b>3 721</b>	<b>458</b>
Other consultancy fees	(365)	(100)
VAT non-recoverable	(301)	(492)
Fines and penalties	(204)	(135)
State duties	(2)	(13)
Other expense	(110)	(694)
<b>Total other expenses</b>	<b>(982)</b>	<b>(1 434)</b>
<b>Net other income / (expense)</b>	<b>2 739</b>	<b>(976)</b>

**28. Income Tax**

Income tax expense comprises the following:

	Six months ended 30 June 2008	Six months ended 30 June 2007
Current tax expense	2 709	1 394
Deferred taxation movement	14 648	18 136
Deferred taxation charged directly to equity	(2 228)	(763)
<b>Income tax expense for the reporting period</b>	<b>15 129</b>	<b>18 767</b>

The income tax rate in Russia applicable to the majority of the Group's income is 24% (2007: 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 2008	Six months ended 30 June 2007
<b>IFRS profit before taxation</b>	49 860	103 918
Theoretical tax charge at the rate of 24%	11 966	24 940
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	(57)	(13 550)
Profit taxed at different rates in other jurisdictions	(361)	(153)
Non-deductible expenses less non-taxable income	3 581	7 530
<b>Income tax expense for the period</b>	<b>15 129</b>	<b>18 767</b>

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 the 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.

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**Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
(in thousands of US Dollars)

	As at 30 June 2008	Effect of exchange rate changes	Movement	Acquisitions of subsidiaries	As at 31 December 2007
<b>Tax effect of deductible temporary differences</b>					
Provisions for impairment	4 358	94	3 858	-	406
Borrowings	2 814	48	2 795	241	(270)
Accounts receivable	27	21	(751)	3	754
Investments held to maturity	-	-	(9)	-	9
Other assets	26	(4)	154	-	(124)
<b>Gross deferred tax assets</b>	<b>7 225</b>	<b>159</b>	<b>6 047</b>	<b>244</b>	<b>775</b>
<b>Tax effect of taxable temporary differences</b>					
Net gain from fair value adjustments on investment property	(100 569)	(3 930)	(16 451)	(6 239)	(73 949)
Revaluations reserve for land plots under development	(11 501)	(411)	(2 228)	-	(8 862)
Constructions in progress	(4 595)	(206)	54	-	(4 443)
Investment property	(2 630)	(124)	287	-	(2 793)
Accounts payable	(1 459)	(10)	(2 089)	-	640
Loans issued	(265)	(5)	(260)	-	-
Fixed assets	(9)	-	(8)	-	(1)
<b>Gross deferred tax liabilities</b>	<b>(121 028)</b>	<b>(4 686)</b>	<b>(20 695)</b>	<b>(6 239)</b>	<b>(89 408)</b>
<b>Net deferred tax liabilities</b>	<b>(113 803)</b>	<b>(4 527)</b>	<b>(14 648)</b>	<b>(5 995)</b>	<b>(88 633)</b>
Deferred tax assets	6 563	147	5 484	244	688
Deferred tax liabilities	(120 366)	(4 674)	(20 132)	(6 239)	(89 321)

For the six months ended 30 June 2008 deferred tax liability in the amount of USD 2 228 thousand arising from temporary differences on land plots under development is recorded in statement of charges in equity within "Revaluation reserve for land plots under development" (31 December 2007: USD 1 710 thousand).

	As at 30 June 2007	Effect of exchange rate changes	Movement	Acquisitions of subsidiaries	As at 31 December 2006
<b>Tax effect of deductible temporary differences</b>					
Accounts payable	4 298	39	3 354	11	894
Provisions for impairment	278	(25)	(77)	26	354
Capital advances	-	49	(146)	-	97
Other assets	708	11	619	-	78
<b>Gross deferred tax assets</b>	<b>5 284</b>	<b>74</b>	<b>3 750</b>	<b>37</b>	<b>1 423</b>
<b>Tax effect of taxable temporary differences</b>					
Net gain from fair value adjustments on investment property	(60 146)	2 574	(10 689)	(16 557)	(35 474)
Investment property	(8 865)	30	(8 228)	(123)	(544)
Revaluations reserve for land plots under development	(7 496)	(132)	(763)	-	(6 601)
Accounts receivable	(1 698)	(21)	(2 263)	(9)	595
Constructions in progress	(681)	(13)	108	-	(776)
Borrowings	(336)	(6)	(103)	(238)	11
Loans issued	(17)	(2)	(21)	-	6
Fixed assets	(4)	(10)	74	-	(68)
Investment held to maturity	(1)	-	(1)	-	-
<b>Gross deferred tax liabilities</b>	<b>(79 244)</b>	<b>2 420</b>	<b>(21 886)</b>	<b>(16 927)</b>	<b>(42 851)</b>
<b>Net deferred tax liabilities</b>	<b>(73 960)</b>	<b>2 494</b>	<b>(18 136)</b>	<b>(16 890)</b>	<b>(41 428)</b>
Deferred tax assets	1 452	23	524	37	868
Deferred tax liabilities	(75 412)	2 471	(18 660)	(16 927)	(42 296)

**OAOR TM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)**

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 consolidated tax loss. Therefore, the Group does not offset deferred tax assets of one entity against the deferred tax liability of another entity.

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.

**29. Earnings 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 2008	Six months ended 30 June 2007
Net profit attributable to shareholders of the parent company (thousands of US Dollars)	34 771	84 958
Weighted average number of ordinary shares in issue (thousands)	138 908	105 256
<b>Basic and diluted earnings per share (US Dollars per share)</b>	<b>0.25</b>	<b>0.80</b>

On 27 March 2007 the Company's shares were included in the quotation list "B" of Russian Trading System. The Initial public offering of the Company took place on May 2007. Since 25 October 2007 ordinary shares were included in non-listed stock of Moscow Interbank Currency Exchange (MICEX).

**30. Related Party Transactions**

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

The outstanding balances as at 30 June 2008 and 30 June 2007, and transactions with related parties for the six months ended 30 June 2008 and six months ended 30 June 2007 are as follows:

**Accounts Receivable**

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Accounts receivable as at 1 January</b>	<b>11 187</b>	<b>8 034</b>
Charge during the period	34 471	1 431
Repayment	(964)	(8 334)
Change in related party	(11 291)	-
Other change	417	-
Effect of exchange rate changes	964	120
<b>Accounts receivable as at 30 June</b>	<b>34 784</b>	<b>1 251</b>
<b>Provision for impairment of accounts receivable as at 1 January</b>	<b>(556)</b>	<b>-</b>
Change in provision for impairment of accounts receivable during the reporting period	-	(28)
Change in related party	571	-
Effect of exchange rate changes	(15)	-
<b>Provision for impairment of accounts receivable as at 30 June</b>	<b>-</b>	<b>(28)</b>
<b>Accounts receivable as at 1 January less provision for impairment</b>	<b>10 631</b>	<b>8 034</b>
<b>Accounts receivable as at 30 June less provision for impairment</b>	<b>34 784</b>	<b>1 223</b>

**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)**

<b>Loans Issued</b>	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2007</b>
<b>Loans Issued as at 1 January</b>	<b>1 015</b>	<b>13 575</b>
Issue of loans	2 917	802
Payment of loans	(254)	(12 885)
Change in related party	(94)	-
Other change	(52)	-
Effect of exchange rate changes	97	(31)
<b>Loans Issued as at 30 June</b>	<b>3 629</b>	<b>1 461</b>
<b>Provision for impairment of loans as at 1 January</b>	<b>-</b>	<b>(179)</b>
Change in provision for impairment for loans issued during the reporting period	-	179
<b>Provision for impairment of loans issued as at 30 June</b>	<b>-</b>	<b>-</b>
<b>Loans Issued as at 1 January less provision for impairment</b>	<b>1 015</b>	<b>13 396</b>
<b>Loans Issued as at 30 June less provision for impairment</b>	<b>3 629</b>	<b>1 461</b>
<b>Advances for property acquisition</b>		
		<b>Six months ended 30 June 2008</b>
<b>Advances for property acquisition as at 1 January</b>		<b>14 357</b>
Advances paid		455
Repayment		(8 504)
Effect of exchange rate changes		508
<b>Advances for property acquisition as at 30 June</b>		<b>6 816</b>
<b>Advances</b>		
	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2007</b>
<b>Advances as at 1 January</b>	<b>3</b>	<b>220</b>
Advances paid	12	-
Repayment	-	(220)
Change in related party	(3)	-
<b>Advances as at 30 June</b>	<b>12</b>	<b>-</b>
<b>Borrowings</b>		
	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2007</b>
<b>Borrowings as at 1 January</b>	<b>26 679</b>	<b>24 146</b>
Receipt during the period	27 783	802
Repayment	(8 496)	(24 082)
Change in related Party	(26 471)	-
Other change	(917)	-
Effect of exchange rate changes	1 079	252
<b>Borrowings as at 30 June</b>	<b>19 657</b>	<b>1 118</b>
<b>Advances Received</b>		
	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2007</b>
<b>Advances received as at 1 January</b>	<b>874</b>	<b>202</b>
Receipt during the period	2	146
Repayment advances received	(9)	(199)
Change in related Party	(888)	-
Effect of exchange rate changes	23	4
<b>Advances received as at 30 June</b>	<b>2</b>	<b>153</b>

**OAOR TM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)**

<b>Accounts Payable</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
<b>Accounts payable as at 1 January</b>	<b>2 180</b>	<b>25 893</b>
Accrued during the period	249	1 802
Repayment	(172)	(17 596)
Change in related party	(1 696)	-
Other change	(33)	-
Effect of exchange rate changes	69	360
<b>Accounts payable as at 30 June</b>	<b>597</b>	<b>10 459</b>

The following amounts which arose due to transactions with related parties are included in the interim consolidated statement of income for the six months ended 30 June 2008 and for the six months ended 30 June 2007:

	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2007</b>
Revenue from investment property	1 227	1 431
Investment property operating expenses	183	1 802
Interest income	1 997	802
Interest expenses	161	410
Other income	933	790
Other expenses	56	29

The compensation paid to the key management personnel totalled USD 1 182 thousand for the six months ended 30 June 2008 (for the six months ended 30 June 2007: USD 152 thousand).

**31. Financial Risk Management*****Currency risk***

The Group accepted risk in connection with influence of foreign exchange movement on cash flows and its financial statements. The table below shows an analysis of currency risk of the Group in respect of financial assets and liabilities associated with currency risk as at 30 June 2008. Financial assets and liabilities of the Group are shown below by currencies according to carrying value.

	<b>RUR</b>	<b>USD</b>	<b>EUR</b>	<b>Total</b>
<b>Assets associated with currency risk</b>				
Cash and cash equivalents	3 690	127	234	4 051
Loans issued and deposits	4 925	-	88	5 013
Accounts receivable	14 365	26 721	282	41 368
Investments held to maturity	78	-	-	78
Restricted cash	-	3 125	-	3 125
Other assets	1 446	4	3	1 453
<b>Total assets exposed to currency risk</b>	<b>24 504</b>	<b>29 977</b>	<b>607</b>	<b>55 088</b>
<b>Liabilities associated with currency risk</b>				
Borrowings	115 810	352 888	17 635	486 333
Accounts payable	28 984	7	9	29 000
<b>Total liabilities exposed to currency risk</b>	<b>144 794</b>	<b>352 895</b>	<b>17 644</b>	<b>515 333</b>
<b>Net balance sheet position exposed to currency risk</b>	<b>(120 290)</b>	<b>(322 918)</b>	<b>(17 037)</b>	<b>(460 245)</b>



**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008**  
**(in thousands of US Dollars)**

As at 31 December 2007 the balance sheet items of the Group by currencies is shown below:

	RUR	USD	EUR	Other currencies	Total
<b>Assets associated with currency risk</b>					
Cash and cash equivalents	43 848	-	-	-	43 848
Loans issued and deposits	7 609	-	87	-	7 696
Accounts receivable	10 661	735	1 005	2	12 403
Investments held to maturity	6 269	-	-	-	6 269
Other assets	1 411	-	-	-	1 411
<b>Total assets exposed to currency risk</b>	<b>69 798</b>	<b>735</b>	<b>1 092</b>	<b>2</b>	<b>71 627</b>
<b>Liabilities associated with currency risk</b>					
Borrowings	81 977	232 451	43 305	-	357 733
Accounts payable	13 287	891	1 272	-	15 450
<b>Total liabilities exposed to currency risk</b>	<b>95 264</b>	<b>233 342</b>	<b>44 577</b>	<b>-</b>	<b>373 183</b>
<b>Net balance sheet position exposed to currency risk</b>	<b>(25 466)</b>	<b>(232 607)</b>	<b>(43 485)</b>	<b>2</b>	<b>(301 556)</b>

The Group borrowed funds in foreign currency. Depending on cash inflows of the Group, the strengthening of foreign currencies can exercise negative effect on ability of the Group to repay the borrowings that increases the probability of losses on such borrowings.

The table below represents the impact on the net profit of the potential change of foreign exchange rates as of the reporting date on the assumption that the other conditions are invariable.

	30 June 2008	31 December 2007
Increase USD at 5%	(12 271)	(8 839)
Decrease USD at 5%	12 271	8 897
Increase EUR at 5%	(647)	(1 652)
Decrease EUR at 5%	647	1 652

The computation above was made regarding the Group's financial assets and financial liabilities nominated in currency other than functional.

**Liquidity risk**

Liquidity risk incurs when the claims periods on assets operations and the maturity dates on liabilities operations are unmatched. The Group is exposed to liquidity risk due to the necessity of using of the cash available for the settlement on current debts and due to the borrowings repayment.

The management of the Group's liquidity requires: making analysis for the potential rent receivable which are essential for liabilities settlement of when due; providing access to different sources of financing; having programme in the event that there is a shortage of financing.

The table below shows the classifications of financial liabilities in accordance with maturity dates as at 30 June 2008. The amounts represent contract non-discounted cash flows including total financial lease payables (before deducting future interest finance costs). These non-discounted cash flows differ from the amounts reflected in the interim consolidated balance sheet for the reason that amounts in the interim consolidated balance sheet are based on discounted cash flows.

When amounts due are not fixed they are calculated under conditions existing as at reporting date. Foreign currency nominated payables are estimated at the spot rate as at reporting date.

The table below shows the analysis of financial liabilities by their maturity date as at 30 June 2008:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
<b>Liabilities</b>						
Borrowings	12 053	101 341	122 589	396 206	23 651	655 840
Accounts payable	13 354	12 593	2 457	585	4 361	33 350
<b>Total estimated future payments on financial liabilities</b>	<b>25 407</b>	<b>113 934</b>	<b>125 046</b>	<b>396 791</b>	<b>28 012</b>	<b>689 190</b>

**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)**

The table below shows the analysis of financial liabilities by their maturity date as at 31 December 2007:

	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Borrowings	20 631	42 637	73 332	271 506	65 406	473 512
Accounts payable	11 472	3 102	1 081	2 861	3 190	21 706
<b>Total estimated future payments on financial liabilities</b>	<b>32 103</b>	<b>45 739</b>	<b>74 413</b>	<b>274 367</b>	<b>68 596</b>	<b>495 218</b>

The Group uses the information about future minimum rent payments for the management of liquidity risk.

The table below shows the information about future minimum rent payments as at 30 June 2008 and 31 December 2007:

	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Potential minimum rent payments</b>						
As at 30 June 2008	6 054	26 965	29 645	213 139	326 018	601 821
As at 31 December 2007	5 678	16 122	15 590	151 479	368 412	557 281

**Risks arising on lease rate**

The Group accepted risks related to fluctuation of the market rent rates on the investment property and its influence on financial statement and cash flows of the Group. Besides, the fluctuation of the rent rates directly influence on the fair value of investment properties.

The rent rates are revised annually.

If the lease rates had been 10% lower as at 30 June 2008 and the other conditions had remained unchanged, the annual income would have been less by USD 91 388 thousand resulting from lower income from investment properties and lower fair value of investment properties.

If the lease rates had been 10% higher as at 30 June 2008 and the other conditions had remained unchanged, the annual income would have been more by USD 55 606 thousand resulting from higher income from investment properties and higher fair value of investment properties.

**32. Contingencies and Commitments****Legal proceedings**

The tax system of the Russian Federation is characterized by a large number of taxes and frequently changed regulations that may have the retroactive effect and often contain ambiguous and contradictory statements. Often, differing opinions exist among various regulatory bodies in respect of the same regulation. Accuracy of tax computations is subject to review and investigation by a number of fiscal authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in the Russian Federation, which are substantially more significant than typically found in other countries.

From time to time and in the normal course of business, claims against the Group can be 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 33). 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 Group 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**

The tax system of the Russian Federation is characterized by a large number of taxes and frequently changed regulations that may have the retroactive effect and often contain ambiguous and contradictory statements. Often, differing opinions exist among various regulatory bodies in respect of the same regulation. Accuracy of tax computations is subject to review and investigation by a number of fiscal authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in the Russian Federation, which are substantially more significant than typically found in other countries.

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 with 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.

As at as at 30 June 2008 the Group has VAT recoverable in the amount of USD 38 470 thousand (31 December 2007: USD 30 420 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 15):

	Note	30 June 2008		31 December 2007	
		Carrying value of assets pledged	Related obligation	Carrying value of assets pledged	Related obligation
Investment property	6	644 143	342 503	413 775	206 282
Land plots under development and construction in progress	7	82 219	60 714	67 298	33 564
Capital advances	8	4 009	3 991	3 832	3 814
Investments held to maturity		-	-	5 787	5 708
Bank deposits		-	-	3 331	3 157
<b>Total pledged assets</b>		<b>730 371</b>	<b>407 208</b>	<b>494 023</b>	<b>252 525</b>

As at 30 June 2008 the trading centres with a fair value of USD 644 143 thousand (31 December 2007: USD 413 775 thousand) were pledged as collateral under the loans received in the amount of USD 342 503 thousand (31 December 2007: USD 206 282 thousand) (Note 6).

As at 30 June 2008 land plots under development with a fair value of USD 11 078 thousand (31 December 2007: USD 3 314 thousand) and a constructions in progress with a carrying value of USD 71 141 thousand (31 December 2007: USD 63 984 thousand) were pledged as collateral under the loans received in the total amount of USD 60 714 thousand (31 December 2007: USD 33 564 thousand) (Note 7).

As at 30 June 2008 capital advances under construction contracts with a fair value of USD 4 009 thousand (31 December 2007: USD 3 832 thousand) were pledged as collateral under the loans received in the total amount of USD 3 991 thousand (31 December 2007: USD 3 814 thousand) (Note 8).

The shares of CJSC "Mercury" were pledged by the Group as collateral under the loan received from CJSC Raiffeisen bank. CJSC "Mercury" is the owner of the investment property having a fair value of USD 109 670 thousand, that was pledged by the Group.

The 100% shares in "Mobil Systems" LTD were pledged by the Group as collateral under the loans received from CJSC UniCreditBank. "Mobil Systems" LTD is the owner of the investment property with fair value of USD 74 600 thousand, that was also pledged by the Group.

## **OAO RTM**

### **Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008 (in thousands of US Dollars)**

100% stakes in OOO “Romex – invest”, “REKOM” LLC were pledged by the Group as collateral under the loans received from JSC Sviaz-bank. Pertaining to OOO “Romex – invest” constructions in progress with a carrying value of USD 34 081 thousand that was also pledged by the Group.

As at 30 June 2008 100% stakes in “TC Svobodniy” LLC” were pledged by the Group as collateral under the loans received from C.R.R.B.V. Investment property units pertaining to “TC Svobodniy” LLC with fair of USD 66 898 thousand were pledged by the Group.

Stakes in “RTM Lipetsk” LTD were pledged by the Group as collateral under the loans received from OJSC Sberbank. Pertaining to in “RTM Lipetsk” LTD constructions in progress with a carrying value of USD 37 060 thousand, that was also pledged by the Group.

Stakes in “RTM- Izmaylovskiy” Ltd were pledged by the Group as collateral under the loans received from OJSC Sberbank. Investment property units pertaining to “RTM- Izmaylovskiy” Ltd with fair of USD 16 982 thousand were pledged by the Group.

Stakes in “Markon” OOO were pledged by the Group as collateral under the loans received from OJSC Sberbank. Pertaining to in “Markon” OOO constructions in progress with a carrying value of USD 11 078 thousand, that was also pledged by the Group.

Stakes in REMA Immobilien LLD were pledged by the Group as collateral under the loans received from OJSC Sberbank. Investment property units pertaining to REMA Immobilien LLD with fair of USD 243 280 thousand were pledged by the Group.

#### **Leasehold properties**

The land underlying most of the Group’s properties is leased from the local 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:

	<b>30 June 2008</b>	<b>31 December 2007</b>
Less than 1 year	211	1 235
<b>Total capital commitments</b>	<b>211</b>	<b>1 235</b>

The decrease in capital commitments is attributable to loss of control over “TEKHNOSOFT” LLC in 2008.

### **33. Acquisitions and Disposals of Subsidiaries**

#### **Acquisitions**

The change in the amount of goodwill during the reporting period is attributable to exchange rate differences arising in the course of financial statements’ revaluation of Group’s subsidiaries.

	<b>30 June 2008</b>	<b>31 December 2007</b>
KrasNedvizhimost LTD	4 293	4 293
OOO “Romex – invest”	1 765	1 765
“Tula Rekonstruktsiya” LTD	1 404	1 404
“RTM- Izmaylovskiy” Ltd	581	581
“REKOM” LLC	190	190
“ELKO SYSTEMS” LLC	101	101
“Torgpromaktiv” LTD	24	24
JSC “RTM Development”	22	22
“Averstrade” LLC	1	1
Cumulative effect of exchange rate changes	835	426
<b>Total goodwill</b>	<b>9 216</b>	<b>8 807</b>

The following acquisitions were made during the reporting period. The Group did not recognise goodwill or excess of acquirer’s interest in the net fair value of acquiree’s net assets over cost on the acquisitions of the subsidiaries mentioned below.

**OAO RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008****(in thousands of US Dollars)**

On 10 February 2008 OAO RTM purchased 100% stake in charter capital of Tillerson Holdings Limited (Cyprus) which owns 90% stake in charter capital of Dracundale Limited in its turn. On 13 March 2008 Tillerson Holdings Limited (Cyprus) was renamed to RTMTC LIMITED (Cyprus).

On 14 February 2007 OAO RTM purchased 100% stake in charter capital of Fawns Investments Limited (Cyprus) and 100% stake in charter capital of Oneok Investments Limited (Cyprus). On 15 February 2008 Fawns Investments Limited (Cyprus) was renamed to RTMH LIMITED (Cyprus) and on 18 March 2008 Oneok Investments Limited (Cyprus) was renamed to RTMD LIMITED (Cyprus).

On 2 April 2008 Dracundale Limited acquired 100% stake in charter capital of Myersville Investments Limited which was in its turn a parent company to Hamlingate Investments Limited (100% ownership) and Caseves Holding Limited (100% ownership).

The excess of acquirer's interest in the net fair value of acquiree's net assets over cost was recognised in the reporting period's interim consolidated income statement for the following operation.

On 20 February 2008 "RTM" Vermögensberatung GmbH concluded a share purchase agreement on purchase of 100% stake in charter capital of REMA Immobilien LLC with Mareal GmbH. According to the agreement "RTM" Vermögensberatung GmbH will pay a purchase price of USD 113 714 thousand (EUR 75 327 thousand) by two tranches. The first tranche of the sale price in the amount of USD 42 991 thousand (EUR 28 478 thousand) was paid on 6 March 2008. The liability of "RTM" Vermögensberatung GmbH on the second tranche was settled in the following way: the amount of USD 70 561 thousand (EUR 46 742 thousand) was set-off and netted against Mareal GmbH liabilities on dividends payment and the rest amount USD 162 thousand (EUR 107 thousand) was paid in accordance with the terms agreement. Also on 20 February 2008 "RTM" Vermögensberatung GmbH made an offer to Euro-Billa Holding Aktiengesellschaft to sell its 75% stake in Mareal GmbH for a nominal value EUR 26.25 thousand (USD 39.627 thousand). The offer was accepted on 14 April 2008. The payment of 75% stake in Mareal GmbH was made on 16 May 2008.

The acquisition of additional 25% shares in REMA Immobilien LLC and the sale of 75% shares in Mareal GmbH was accounted as linked transaction. Due to consolidation of REMA and the de-consolidation of Mareal GmbH a gain in the amount of USD 238 thousands was recognized in the income statement as "Excess of acquirer's interest in the net fair value of acquiree's net assets over cost".

	<b>Net assets of REMA Immobilien LLC (100%) at the date of the acquisition</b>	<b>At the date of the acquisition – 29 February 2008</b>
<b>Acquisition cost of 100% in the share capital REMA Immobilien LLC</b>	-	(113 714)
<b>Disposal of the Subgroup included Mareal GmbH and REMA Immobilien LLC</b>	-	(72 214)
Investment property	192 436	-
Deferred tax assets	977	-
Accounts receivable and advances	3 996	-
Loans issued	3 918	-
Current income tax assets	335	-
Cash and cash equivalents	2 226	-
Borrowings	(59 088)	-
Deferred tax liabilities	(24 956)	-
Accounts payable and advances received	(4 241)	-
<b>Total net assets of REMA Immobilien LLC (100%)</b>	-	115 603
<b>Liability of Mareal GmbH on dividends repayment</b>	-	70 561
<b>Excess of acquirer's interest in the net fair value of acquiree's net assets over cost</b>		<b>236</b>

**Disposals**

Gains less losses from subsidiaries sales are as follows:

	<b>Six months ended 30 June 2008</b>
OOO "Markon"	(1 235)
"TEKHNOFT" LLC	917
<b>Total gains less losses from subsidiaries sales</b>	<b>(318)</b>

Assets and liabilities sold and gains and losses from subsidiaries sales in the table below.

**OAo RTM****Notes to the Interim Consolidated Financial Statements for the Six Months Ended 30 June 2008  
(in thousands of US Dollars)****OOO “Markon”**

	At the date of the sale – 27 May 2008
Land plots under development and construction in progress	22 642
Capital advances	15 715
Accounts receivable	1 035
Advances	471
VAT recoverable	172
Cash and cash equivalents	97
Current income tax asset	31
Fixed assets	8
Borrowings	(22 026)
Deferred tax liabilities	(4 570)
Accounts payable	(1 045)
Advances received	(180)
<b>Total net assets</b>	<b>12 350</b>
<b>Share of net assets sold (10%)</b>	<b>1 235</b>
Consideration received	-
<b>Gains less losses from subsidiaries sales</b>	<b>(1 235)</b>

**“TEKHNOsOFT” LLC**

	At the date of the sale – 1 January 2008
Capital advances	6 812
VAT recoverable	45
Accounts receivable	-
Cash and cash equivalents	3
Borrowings	(7 750)
Accounts payable	(27)
Current income tax liabilities	-
<b>Total net assets</b>	<b>(917)</b>
<b>Share of net assets sold (100%)</b>	<b>(917)</b>
Consideration received	-
<b>Gains less losses from subsidiaries sales</b>	<b>917</b>

As of 31 December 2007 the assets and liabilities of “TEKHNOsOFT” LLC were presented as “Disposal groups classified as held for sale”.

**34. Subsequent Events**

On 3 July, 2008 “MARTA” Vermögensberatung GmbH was renamed as “RTM” Vermögensberatung GmbH.

On 24 August, 2008 the Board of Directors of RTM decided to appoint Sergey Khrapunov as a General Director of RTM.

On 26 August, 2008 WEMBERG CONSULTANT LIMITED acquired 24.57% of OAo RTM common shares and NILDER INVESTMENTS LIMITED acquired 12.35% of OAo RTM common shares. At the same time, the percentage of OAo RTM common shares held by SMH Limited decreased from 24.57% to 2.78%, and the percentage of OAo RTM common shares held by Pilot Holding GmbH decreased from 23.54% to 3.33%.

Russian Ruble/ US dollar exchange rate as at 31 October 2008 is 26.543 showing a rise by 13.15% against the exchange rate as at 30 June 2008 (Russian ruble/ Euro exchange rate as at 31 October 2008 is 35.0447 showing a decrease by 5.05% against the exchange rate as at 30 June 2008). Increase in the exchange rate of the US dollar against Russian ruble could negatively impact the financial position of the Group as substantial amount of borrowings is nominated in US dollars (Note 31).

“RTM” Vermögensberatung GmbH has current financial liabilities payable to ING Bank amounting to USD 34 882 thousand (EUR 22 171 thousand) as of 30 June 2008. The financial arrangement with ING Bank has expired and the amount was due on 30 September 2008. “RTM” Vermögensberatung GmbH has since then been enable to re-negotiate the term of the financial arrangement or to obtain replacement financing. OAo RTM and some other companies of the Group are jointly liable for complete and full discharge of liabilities of “RTM” Vermögensberatung GmbH to ING Bank.