OAO RTM

Interim Consolidated Financial Statements for the Nine Months Ended 30 September 2007 and Review Report

BDO Unicon
Auditors and Consultants

Contents

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

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 September 2007, the results of its operations, cash flows and changes in equity for the nine 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 nine months ended 30 September 2007 were authorized for issue on 7 March 2008 and signed by:

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Deputy Director General of Economy and Finance

Moscow

7 March 2008

BDO Unicon
Auditors and Consultants

BDO Unicon
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Closed joint-stock company

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Review Report

To the Shareholders and the Board of Directors of OAO RTM

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our 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 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 "MARTA" Vermogensberatungs GmbH for the nine months ended 30 September 2007 was conducted by another auditor whose review report dated 7 March 2008 revealed no deviations from International Financial Reporting Standards (IFRS) except for the qualification concerning the fact that investment property was not revalued as at 30 September 2007.

Conclusion

In preparing these interim consolidated financial statements the Group did not revalue investment property as at 30 September 2007. The value of investment property in these interim consolidated financial statements is stated as at 30 June 2007 being the date of latest revaluation.

Based on our review, with the exception of matter described in the preceding paragraph, 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 IFRS.

Without qualifying our conclusion on our review we draw attention to Note 3 to these interim consolidated financial statements. As at 30 September 2007, the Group restated comparative information as at 31 December 2006 and for the nine months ended 30 September 2006 relating to the fair value of land plots due to the adjusted information received from the Independent Appraiser.

Without qualifying our conclusion on our review we draw attention to Note 4 to these interim consolidated financial statements. In the absence of International Financial Reporting Standards or Interpretations containing specific guidance on transactions under common control, management considered appropriate to use a purchase method when dealing with the transactions in which the Group acquired its controlling interest in subsidiaries which were under common control before acquisition. A significant excess of the Group's interest in the net fair value of acquiree's net assets over cost in the amount of USD 56 905 thousand was recognized in the interim consolidated statement of income for the nine months ended 30 September 2007 in respect of the subsidiaries that were under common control of ultimate shareholders of the Group, when control was transferred to the Group.

Without qualifying our conclusion on our review we draw attention to Note 30 to these interim consolidated financial statements. As at 30 September 2007, the Group's assets in the amount of USD 517 113 thousand (71.4% 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 (Notes 13, 30).

Denis A. Taradov
Partner

7 March 2008
BDO Unicon Inc.
11/1, 125, Warshavskoye Shosse, Moscow, 117545, Russian Federation

BDO Unicon
Auditors and Consultants

(in thousands of US Dollars)

	Note	30 September 2007	31 December 2006
Assets			
Non-current assets			
Investment property	6	501 013	278 341
Land plots under development and construction in progress	7	101 832	97 826
Capital advances	8	36 112	19 422
Loans issued and deposits	10	-	30 186
VAT recoverable		28 148	23 368
Goodwill	31	4 410	4 179
Fixed assets		2 620	587
Deferred income tax assets	25	714	868
Total non-current assets		**674 849**	**454 777**
Current assets			
Cash and cash equivalents	9	8 548	2 340
Loans issued and deposits	10	13 652	26 495
Accounts receivable and advances	11	13 186	13 818
Financial assets held to maturity	12	12 278	116
Current income tax asset		1 646	62
Other assets		356	88
Total current assets		**49 666**	**42 919**
Total assets		**724 515**	**497 696**
Equity and liabilities			
Non-current liabilities			
Borrowings	13	186 023	153 530
Accounts payable and advances received	14	2 196	11 731
Deferred income tax liabilities	25	82 400	42 296
Total non-current liabilities		**270 619**	**207 557**
Current liabilities			
Borrowings	13	76 055	91 394
Accounts payable and advances received	14	29 586	56 592
Current income tax liabilities		770	259
Total current liabilities		**106 411**	**148 245**
Total liabilities		**377 030**	**355 802**
Equity			
Share capital	15	5	4
Share premium	16	105 167	-
Revaluation reserve for land plots under development	17	13 256	10 191
Accumulated reserve for exchange differences		17 344	3 827
Retained earnings		211 697	125 353
Equity attributable to the shareholders of the parent company		**347 469**	**139 375**
Minority interest	18	16	2 519
Total equity		**347 485**	**141 894**
Total equity and liabilities		**724 515**	**497 696**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Deputy Director General of Economy and Finance

7 March 2008

(in thousands of US Dollars)

	Note	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Revenue from investment property	19	40 170	9 642
Investment property operating expenses	20	(7 331)	(3 349)
Net gain from fair value adjustments on investment property	6	44 807	95 465
Gross operating margin		**77 646**	**101 758**
General and administrative expenses	21	(8 493)	(2 867)
Operating profit		**69 153**	**98 891**
Interest income	22	3 082	1 031
Interest expense	22	(24 371)	(5 459)
Gains less losses from revaluation of foreign currency and dealing in foreign currency		8 470	2 044
Gains less losses arising from financial assets		2 251	538
Provisions for impairment	23	252	(1 442)
Taxes other than income tax		(2 665)	(354)
Other income	24	524	1 479
Other expenses	24	(2 484)	(742)
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost	31	56 905	53 706
Profit before taxation		**111 117**	**149 692**
Income tax expense	25	(24 601)	(24 788)
Net profit		**86 516**	**124 904**
Attributable to:			
Shareholders of the parent company		86 344	122 574
Minority interest		172	2 330
Basic and diluted earnings per share (US Dollar per share)	**26**	**0.74**	**-**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Deputy Director General of Economy and Finance

7 March 2008

(in thousands of US Dollars)

	Note	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Cash flows from operating activities			
Revenue from investment property		38 371	9 637
Investment property operating expenses		(3 033)	(3 349)
General and administrative expenses		(7 923)	(2 867)
Interest income		2 337	777
Interest expenses		(23 718)	(4 205)
Gains less losses arising from financial assets		(21)	528
Taxes other than income tax paid		(2 352)	(354)
Other income		215	1 264
Other expenses		(2 484)	(606)
Income tax paid		(3 030)	(380)
Cash flows from operating activities before changes in operating assets and liabilities		**(1 638)**	**445**
Net increase/decrease in operating assets and liabilities			
Net decrease of accounts receivable and advances		1 709	29 003
Net increase of VAT recoverable		(3 362)	(11 811)
Net increase of other assets		(255)	(1 989)
Net increase / (decrease) of accounts payable and advances received		2 351	(17 689)
Net cash flows from operating activities		**(1 195)**	**(2 041)**
Cash flows from investing activities			
Net increase of investment property		(3 376)	(6 669)
Net increase of land plots under development and constructions in progress		(19 526)	(39 846)
Net increase of fixed assets		(1 267)	(30)
Net increase of capital advances		(23 811)	(23 318)
Net decrease of loans issued and deposits		13 432	2 485
Net increase of financial assets held to maturity		(11 468)	-
Increase/(decrease) in cash and cash equivalents arising on acquisition of subsidiaries	31	(628)	4 000
Net cash used in investing activities		**(46 644)**	**(63 378)**
Cash flows from financing activities			
Net increase/(decrease) of borrowings		(33 360)	80 004
Issue of share capital		2	3
Share premium		87 880	-
Legal and consulting services		(796)	-
Net cash flows from financing activities		**53 726**	**80 007**
Effect of exchange rate changes on cash and cash equivalents		321	374
Net change in cash and cash equivalents		**6 208**	**14 962**
Cash and cash equivalents as at the beginning of the period		2 340	-
Cash and cash equivalents as at the end of the period	9	**8 548**	**14 962**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Deputy Director General of Economy and Finance

7 March 2008

(in thousands of US Dollars)

	Equity attributable to the shareholders of the parent company						
	Share capital	**Share premium**	**Revaluation reserve for land plots under development**	**Accumulated reserve for exchange differences**	**Retained earnings**	**Minority interest**	**Total equity**
Balance as at 1 January 2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of share capital	4	-	-	-	-	-	4
Revaluation of land plots under development (Note 17)	-	-	12 921	-	-	-	12 921
Deferred taxation on revaluation of land plots under development (Note 17)	-	-	(3 101)	-	-	-	(3 101)
Effect of exchange rate changes	-	-	201	1 727	-	-	1 928
Minority interest arising from acquisition of subsidiaries (Note 18)	-	-	-	-	-	144	144
Net profit for the nine months ended 30 September 2006	-	-	-	-	122 574	2 330	124 904
Balance as at 30 September 2006	**4**	**-**	**10 021**	**1 727**	**122 574**	**2 474**	**136 800**
Balance as at 1 January 2007	**4**	**-**	**10 191**	**3 827**	**125 353**	**2 519**	**141 894**
Issue of share capital (Note 15, 16)	1	87 880	-	-	-	-	87 881
Expenses related to share capital issue (Note 16)	-	(769)	-	-	-	-	(769)
Shareholders contribution to subsidiaries' charter capital (Note 16)		18 056	-	-	-	-	18 056
Revaluation of land plots under development (Note 7, 17)	-	-	3 172	-	-	-	3 172
Deferred taxation on revaluation of land plots under development (Note 17, 25)	-	-	(761)	-	-	-	(761)
Effect of exchange rate changes	-	-	654	13 517	-	(3)	14 168
Piecemeal acquisition of subsidiary (Note 18)	-	-	-	-	-	(2 672)	(2 672)
Net profit for the nine months ended 30 September 2007	-	-	-	-	86 344	172	86 516
Balance as at 30 September 2007	**5**	**105 167**	**13 256**	**17 344**	**211 697**	**16**	**347 485**

Eduard G. Vyrypaev
General Director

Alexei S. Seleznev
Deputy Director General of Economy and Finance

7 March 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 Company and its subsidiaries focus on operations relating to real estate development and aimed at construction of shopping centres of different formats (from 10 to 120 thousand square meters), management and lease of these facilities. The purpose of the Group is forming of a full developer cycle: from search and acquisition of land plots to management and maintenance of built immovable property. As at 30 September 2007 the Group has significant balances of investment property in the amount of USD 501 013 thousand (Note 6), land plots under development and construction in progress in the amount of USD 101 832 thousand (Note 7) and capital advances in the amount of USD 36 112 thousand (Note 8) that in the whole represent 88% of total assets of the Group. As described in Note 28 the concentration of Group's operations on real estate development affects the liquidity position of the Group, at the same time shareholders and management of the Group is confident in its ability to maintain sufficient financing.

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

			Ownership (%)		Control (%)	
Operating entity	Country of registration	Principal activity	30 September 2007	31 December 2006	30 September 2007	31 December 2006
JSC "RTM Development"	Russia	Management of the project assets of the Group	100%	100%	100%	100%
"RTM Management" LTD	Russia	Management of the project assets	100%	100%	100%	100%
"RTM Finance" LTD	Russia	Financial activity	100%	100%	100%	100%
CJSC "Kaskad"	Russia	Owner of project assets	100%	100%	100%	100%
CJSC "Mercury"	Russia	Owner of project assets	100%	-	100%	100%
JSC "RTM Bryansk"	Russia	Owner of project assets	100%	100%	100%	100%
CJSC FPK "Orbita"	Russia	Owner of project assets	100%	100%	100%	100%
"Torgpromaktiv" LTD	Russia	Owner of project assets	100%	100%	100%	100%
"Averstrade" LLC	Russia	Owner of project assets	100%	-	100%	100%
"VINART" LLC	Russia	Owner of project assets	100%	-	100%	99%
"Dom torgovli № 1 "Era- 2" LLC	Russia	Owner of project assets	100%	100%	100%	100%
"INEX" LTD	Russia	Owner of project assets	100%	-	100%	99%
"KASKAD" LLC	Russia	Owner of project assets	100%	100%	100%	100%
OOO "Markon"	Russia	Owner of project assets	100%	100%	100%	100%
"Mobil Systems" LTD	Russia	Owner of project assets	100%	100%	100%	100%
"PANTEKS" LLC	Russia	Owner of project assets	100%	51%	100%	51%
"REKOM" LLC	Russia	Owner of project assets	100%	100%	100%	100%
OOO "Romex – invest"	Russia	Owner of project assets	100%	100%	100%	100%
"RTM Lipetsk" LTD	Russia	Owner of project assets	90%	90%	90%	90%
"RTM Voronezh Severniy" LTD	Russia	Owner of project assets	100%	100%	100%	100%
"RTM - Izmaylovskiy" LTD	Russia	Owner of project assets	100%	100%	100%	100%
"RTM Odintsovo" LTD	Russia	Owner of project assets	100%	-	100%	99%
"RTM – Samara" LTD	Russia	Owner of project assets	100%	100%	100%	100%
"TEKHOSOFT" LLC	Russia	Owner of project assets	100%	100%	100%	100%
"Tula Rekonstruksiya" LTD	Russia	Owner of project assets	100%	-	100%	99%
"TC Svobodniy" LLC	Russia	Owner of project assets	100%	100%	100%	100%
"FINTRADE" LLC	Russia	Owner of project assets	100%	-	100%	100%
"ExpoTekh" LLC	Russia	Owner of project assets	100%	100%	100%	100%

(in thousands of US Dollars)

			Ownership (%)		Control (%)	
Operating entity	**Country of registration**	**Principal activity**	**30 September 2007**	**31 December 2006**	**30 September 2007**	**31 December 2006**
"ELEGANS" LLC	Russia	Owner of project assets	100%	100%	100%	100%
"ELKO SYSTEMS" LLC	Russia	Owner of project assets	100%	100%	100%	100%
MP Trading LLC	Russia	Owner of project assets	100%	25%	100%	100%
Emsden Investments Limited	Cyprus	Financial activity	100%	100%	100%	100%
"MARTA" Vermögensberatung GmbH	Austria	The company holds 75% stake in Mareal GmbH	100%	-	100%	-
RTM Handels – und Beteiligungs GmbH	Austria	Subsidiary of "MARTA" Vermögensbera-tungs GmbH	100%	-	100%	-
Mareal GmbH	Austria	The company holds 100% stake in REMA Immobilien LLC	75%	-	75%	-
REMA Immobilien LLC	Russia	Investing in and managing of the project assets	75%	-	75%	-

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

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

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

During the year ended 31 December 2006 the Company acquired thirty two subsidiaries. During the nine months ended 30 September 2007 the Company acquired one subsidiary, "MARTA" Vermögensberatung GmbH which, in turn, a parent company for Mareal GmbH и RTM Handels – und Beteiligungs GmbH. Mareal GmbH holds 75% stake in REMA Immobilien LLC.

During the nine months ended 30 September 2007 the Company increased its stake in share capital of "PANTEKS LLC from 51% to 100% (Note 31).

During the nine months ended 30 September 2007 the Company purchased 1% stakes in the following subsidiaries: "RTM Odintsovo" LTD, "INEX" LTD, "Tula Rekonstruksiya" LTD, "VINART" LLC. As the results, the company's stake in these companies increased to 100%.

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

Shareholder	**Country of registration**	**30 September 2007**	**31 December 2006**
SMH Limited	Cyprus	42.89%	30.00%
Pilot Holding GmbH	Austria	14.25%	-
OJSC InvestRetailGroup	Russia	14.25%	19.95%
CJSC Depositary Clearing Company (nominal shareholder)	Russia	11.97%	-
JP Morgan Bank LLC (nominal shareholder)	Russia	11.31%	-
CJSC Citybank (nominal shareholder)	Russia	4.63%	-
CJSC ING Bank (Eurasia) (nominal shareholder)	Russia	0.70%	-
MARTA Unternehmensberatungs GmbH	Austria	-	50.00%
Other	-	-	0.05%
Total		**100.00%**	**100.00%**

(in thousands of US Dollars)

As 31 December 2006 the ultimate owners of the Group were Mr. Vyrypaev (37.00%), Mr. Trefilov (47.25%) and Mr. Vasiljev (15.75%). They indirectly held 100% shares of the Company. As a result of Initial Public Offering (Note 15) their shares changed to 35.71%, 26.78% and 8.92%, respectively.

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

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

The average number of the Group's employees for the nine months ended 30 September 2007 was 367 (2006: 238).

2. Operating Environment of the Group

General

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

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

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

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

Inflation

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

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

The inflation rate for the nine months ended 30 September 2007 was 7.5 %.

Currency transactions and currency control

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

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

Date	USD	EUR
30 September 2007	24.9493	35.3457
31 December 2006	26.3311	34.6965
31 December 2005	28.7825	34.1850
31 December 2004	27.7487	37.8104
31 December 2003	29.4545	36.8240
31 December 2002	31.7844	33.1098

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

Financial market transactions

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

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

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

3. Basis of Presentation

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

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

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

The Group also prepared its interim consolidated financial statements in Russian Roubles. Auditor's opinion on these interim consolidated financial statements in Russian Roubles was issued on 7 March 2008. These interim consolidated financial statements are available at the principal operating office of the Group (Note 1).

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

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

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

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

(in thousands of US Dollars)

Adoption of new and revised standards

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

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

- IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning after 1 January 2007);
- Amendment to IAS 1 "Presentation of Financial Statements" – "Capital Disclosures" (effective from 1 January 2007);
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006, i.e. from 1 January 2007);
- IFRIC 8 "Scope of IFRS 2" (effective for annual periods beginning on or after 1 May 2006, i.e. from 1 January 2007);
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006, i.e. from 1 January 2007);
- IFRIC 10 "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006, i.e. from 1 January 2007);
- IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007, i.e. from 1 January 2007).

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

Reclassification

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

	Before reclassification	Changes	After reclassification
Reclassification of insurance cost, security services, communication costs, depreciation and other services	Investment Property Operating Expenses	649	General and Administrative Expenses
Reclassification of costs related to State duties	General and Administrative Expenses	15	Other expenses
Reclassification of other financial costs	Other expenses	2	Interest expense
Reclassification of costs related to Unified social tax	Taxes expenses (other than income tax)	180	General and Administrative Expenses

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

	Before reclassification	Changes	After reclassification
Reclassification of current tax assets for income tax	VAT recoverable	62	Current income tax assets
Reclassification of capital advances under co-financing agreements	Accounts receivable and advances	805	Capital advances
Reclassification of financial assets held to maturity	Other assets	116	Financial assets held to maturity
Reclassification of loans issued from current assets to non-current	Loans issued (current)	19	Loans issued (non-current)
Reclassification of own promissory notes issued – short-term	Borrowings (long-term)	3 285	Accounts payable and advances received (current)

(in thousands of US Dollars)

	Before reclassification	Changes	After reclassification
Reclassification of borrowings from long-term to short-term	Borrowings (long-term)	102	Borrowings (short-term)
Reclassification of accounts payable and advances receivable from short-term to long-term	Accounts payable and advances received (current)	2 107	Accounts payable and advances received (non-current)
Reclassification of current tax liabilities for income tax	Accounts payable and advances received (current)	259	Current income tax liabilities

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

	Before reclassification	Changes	After reclassification
Reclassification of insurance cost, security services, communication costs, depreciation and other services	Investment Property Operating Expenses	649	General and Administrative Expenses
Reclassification of other financial costs	Other expenses	2	Interest income
Reclassification of costs related to Unified social tax	Taxes expenses (other than income tax)	180	General and Administrative Expenses
Reclassification of costs related to State duties	General and Administrative Expenses	15	Other expenses
Reclassification of capitalized costs directly associated land plots and construction in progress	General and Administrative Expenses	254	Net increase of land plots and construction in progress
Reclassification of capitalized costs directly associated land plots and construction in progress	Taxes other than on income	49	Net increase of land plots and construction in progress

Restatement of comparative information

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

The Group corrected the comparative information in line "VAT recoverable" in the amount of USD 502 thousands due to adjustments on VAT and capitalization of the amount of non-recoverable VAT as investment property cost.

The Group decided to change the accounting policy in respect to capitalization of costs directly associated with construction of investment property. These changes concern the capitalization of all direct costs which could be included in costs of an asset under construction.

IFRS caption	Amount of correction	As reported	As restated	Description
Consolidated balance sheet as at 31 December 2006				
Land plots under development and construction in progress	633	-	-	Capitalization of costs directly associated with land plots under development and construction in progress
Land plots under development and construction in progress	(1 768)	-	-	Correction of fair value of land plots
Total land plots under development and construction in progress	(1 135)	98 961	97 826	

(in thousands of US Dollars)

IFRS caption	Amount of correction	As reported	As restated	Description
VAT recoverable	(502)	23 932	23 430	Correction of error: including of non-recoverable VAT in investment property cost
Deferred income tax assets	(26)	894	868	Capitalization of costs directly associated with land plots under development
Accounts receivable and advances	(24)	14 647	14 623	Correction of income accrued
Deferred income tax liabilities	177	-	-	Correction of deferred tax liability due to capitalization of additional direct costs
Deferred income tax liabilities	(424)	-	-	Correction of deferred tax liability due to correction of fair value of land plots under development
Deferred income tax liabilities	(127)	-	-	Correction of deferred income tax liabilities due to adjustments on VAT
Deferred income tax liabilities	(40)	-	-	Other corrections
Total deferred income tax liabilities	(414)	42 710	42 296	
Revaluation reserve for land plots under development	(1 768)			Correction of revaluation reserve due to correction of fair value of land plots under development
Revaluation reserve for land plots under development	424	-	-	Correction of deferred tax liability due to correction of fair value of land plots under development
Total revaluation reserve for land plots under development	(1 344)	11 535	10 191	
Retained earnings	(665)	126 018	125 353	Capitalization of costs directly associated with land plots under development and construction in progress and correction of error
Interim consolidated statement of income for the nine months ended 30 September 2006				
General and administrative expenses	209	-	-	Capitalization of costs (rent of land plots) directly associated with land plots under development and construction in progress
General and administrative expenses	45	-	-	Capitalization of costs (staff costs) directly associated with land plots under development and construction in progress
Total general and administrative expenses	254	(2 307)	(2 053)	
Taxes other than on income	49	(538)	(489)	Capitalization of costs (rent of land plots) directly associated with land plots under development and construction in progress
Income tax expense	58	(24 846)	(24 788)	Correction of deferred tax expense
Net gain from fair value adjustments on investment property	(492)	95 957	95 465	Correction of net gain from fair value adjustments on investment property due to adjustments on VAT

4. Summary of Accounting Policies

Consolidation

The Group applied the same accounting policies in its interim consolidated financial statements as are applied in its consolidated financial statements for the period ended 31 December 2006 except for changes in accounting principles regarding capitalization of costs.

Capitalization of costs

The Group capitalizes costs directly associated with construction in progress within the period of real estate construction. These costs include: staff costs, land rent costs and property tax expenses accrued in accordance with the Russian legislation on land plots. These costs are recognised within cash flows from investing activities of interim consolidated statement of cash flow. Changes of comparative data are represented in the section above.

Accounting for acquisition of companies under common control

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

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

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

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

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

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

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

Proportionate consolidation

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

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

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

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

The Group applied the same accounting policies in its interim consolidated financial statements as are applied in its consolidated financial statements for the period ended 31 December 2006 except for changes in accounting principals regarding capitalization of costs stated in the section above.

Segment reporting

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

5. Significant Accounting Estimates

The preparation of 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 within the next financial year are discussed below.

Fair value of investment property and land plots under development

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

Allowance for impairment of loans issued and accounts receivable and advances

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

(in thousands of US Dollars)

6. Investment Property

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

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Investment property as at 1 January	**278 341**	**-**
Carrying value of investment property of acquired subsidiaries	115 295	97 567
Transfer from land plots under development and construction in progress	25 357	52 098
Transfer from capital advances	8 859	-
Transfer from fixed assets to investment property	84	-
Transfer from investment property to fixed assets	(13)	-
Net gain from fair value adjustments on investment property	44 807	95 465
Capital movement of investment property	3 439	9 890
Disposal	(17)	-
Effect of exchange rate changes	24 861	5 674
Investment property as at 30 September	**501 013**	**260 694**

The fair value of the Group's investment property has been arrived at on the basis of valuation carried out by the independent appraiser Colliers International LLC. The valuation was arrived by applying the income approach and sale comparison approach. Starting from 2007 the Group values the investment property on a semi-annual basis. Last valuation was carried out as at 30 June 2007, in 2006 the Group valued the investment property once as at 30 June 2006. The next valuation of the investment property will be performed as at 31 December 2007.

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 September 2007	Fair value as at 31 December 2006
Trade center (TC) "Park House 2"	Samara	CJSC "Mercury"	96 244	95 466
TC "Svobodniy"	Krasnoyarsk	"TC Svobodniy" LLC	59 601	38 000
TC "Inetrcity"	Tula	"Mobil Systems" LTD	55 288	48 170
TC "Park House 1"	Samara	CJSC FPK "Orbita"	22 841	21 545
TC, Zeleniy prospect	Moscow	REMA Immobilien LLC	20 422	-
TC "Demidovsky"	Tula	"INEX" LTD	18 056	-
TC "Izmaylovsky"	St. Petersburg	"RTM - Izmaylovskiy" Ltd	13 452	12 238
TC "Bryansk"	Bryansk	JSC "RTM Bryansk"	13 093	8 237
TC, Narodnogo Opolcheniya str.	Moscow	REMA Immobilien LLC	12 122	-
TC, Krasnodarskaya str.	Moscow	"VINART" LLC	10 480	8 845
TC, Prokatnaya str.	Moscow	REMA Immobilien LLC	10 227	-
TC, Perovskaya str.	Moscow	REMA Immobilien LLC	9 627	-
TC, Boulevard Yana Rainisa	Moscow	REMA Immobilien LLC	9 424	-
TC, Volgogradsky prospect	Moscow	REMA Immobilien LLC	9 269	-
TC, Shirokaya str.	Moscow	REMA Immobilien LLC	9 019	-
TC, Teply stan str.	Moscow	"VINART" LLC	7 907	7 041
TC, Isakovskogo str.	Moscow	REMA Immobilien LLC	7 814	-
TC, 9 th Parkovaya str.	Moscow	REMA Immobilien LLC	7 416	-
TC, Bernikov pereulok	Moscow	REMA Immobilien LLC	7 299	-
TC "Ulyanka"	St. Petersburg	"FINTRADE" LLC	7 140	-
TC, Novocherkassky prospect	Moscow	REMA Immobilien LLC	6 454	-
GROSSMART in Water-entertaining centre 45 Parallel str.	Stavropol	"ELEGANS" LLC	5 782	-
TC, Generala Beloborodova str.	Moscow	REMA Immobilien LLC	5 728	-
TC, Zhivopisnaya str.	Moscow	REMA Immobilien LLC	5 577	-
TC, Beringov proyezd	Moscow	REMA Immobilien LLC	5 286	-
TC "Bumerang"	Kursk	CJSC "Kaskad"	5 153	4 034
TC "Triumf"	Kursk	CJSC "Kaskad"	5 055	4 410
TC, Novomytischinsky prospect	Mytischi	"Averstrade" LLC	4 848	4 892
TC, Mikhailovskaya str.	Moscow	REMA Immobilien LLC	4 223	-

(in thousands of US Dollars)

Description of the project	Asset location	Company's name	Fair value as at 30 September 2007	Fair value as at 31 December 2006
TC, Malygina str.	Moscow	"PANTEKS" LLC	4 360	3 551
TC, Blindonalds	St. Petersburg	"VINART" LLC	4 226	-
TC "Kristall"	Kursk	CJSC "Kaskad"	3 979	2 983
TC, Obrucheva str.	Moscow	"VINART" LLC	3 168	2 879
TC, Petrozavodskaya str.	Moscow	"PANTEKS" LLC	3 038	1 470
TC, Letchika Babushkina str.	Moscow	REMA Immobilien LLC	2 937	-
TC, Sibirsky trakt str.	Kazan	MP Trading LLC	2 573	1 758
TC, Gvardeyskaya str.	Kazan	"KASKAD" LLC	2 463	1 788
TC, Khlobystova str.	Moscow	REMA Immobilien LLC	2 432	-
TC, Rizhsky proyezd	Moscow	REMA Immobilien LLC	2 197	-
TC, Said-Galeeva str.	Kazan	"KASKAD" LLC	2 137	1 885
TC, Akademika Zavoyskogo str.	Kursk	MP Trading LLC	2 006	1 894
TC, Moskovsky prospect	Voronezh	"Dom torgovli № 1 "Era-2" LLC	1 980	1 912
TC, Mira str.	Kazan	MP Trading LLC	1 687	998
TC "Grand"	Kursk	CJSC "Kaskad"	1 644	1 126
Apartment	Vienna, Austria	"MARTA" Vermögensberatung GmbH	1 558	-
TC, Kolomenskaya str.	Moscow	"PANTEKS" LLC	1 555	1 467
TC, Gagarina str.	Kazan	"ELKO SYSTEMS" LLC	1 415	1 113
TC, Akademika Glushko str.	Kursk	MP Trading LLC	811	639
Total investment property:			**501 013**	**278 341**

As at 15 December 2007 the Group sold the investment property and fixed assets in Vienna, Austria.

As at 30 September 2007 the trading centers with a fair value of USD 436 573 thousand (31 December 2006: USD 226 446 thousand) were pledged as collateral under the loans received in the amount of USD 185 551 thousand (31 December 2006: USD 142 045 thousand) (Note 13).

7. Land Plots under Development and Construction in Progress

Below is the information on changes in land plots under development and construction in progress during nine months ended 30 September 2007:

	Land plots under development	Construction in progress	Total
Balance as at 1 January 2007	**36 914**	**60 912**	**97 826**
Carrying value of land plots under development and construction in progress of acquired subsidiaries	-	1 500	1 500
Capital expenditures	-	18 522	18 522
Interest expense capitalised	-	2 197	2 197
Other direct costs capitalised	-	2 518	2 518
Revaluation	3 172	-	3 172
Transfer to investment property	-	(25 357)	(25 357)
Sale of construction in progress	-	(3 153)	(3 153)
Cancellation of construction agreement	-	(787)	(787)
Effect of exchange rate changes	2 162	3 232	5 394
Balance as at 30 September 2007	**42 248**	**59 584**	**101 832**

In May 2007 the Group written off the works accepted in 2006 in the amount of USD 787 thousand as a result of cancellation of agency contract. Payment for works in the amount of USD 787 thousand has been returned to the Group.

Land plots under development are stated at revalued amount determined by independent appraiser Colliers International LLC by applying the income approach and sales comparison approach. Starting from 2007 the Group values the land plots under development on a semi-annual basis. Last valuation was carried out as at 30 June 2007, in 2006 the Group valued the land plots under development once as at 30 June 2006. The next valuation of the land plots under development will be performed as at 31 December 2007.

(in thousands of US Dollars)

Construction in progress is recognised 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 September 2007	Carrying value as at 31 December 2006
Trading centre, N.Krasnoselskaya str.	Moscow	"ExpoTekh" LLC	25 922	21 634
Trading centre Gallery "Odintsovo"	Odintsovo district, Lokhino village	"RTM Odintsovo" LTD	22 963	16 112
Trade-entertaining centre, Fizkulturnaya str.	Samara	"RTM – Samara" LTD	17 763	17 492
Trading center M. Balkanskaya str.	St. Petersburg	OOO "Romex – invest"	14 991	6 251
Trading center "Kushelevka"	St. Petersburg	OOO "Markon"	11 723	7 828
Trading centre Tereshkovoy str.	Lipetsk	"RTM Lipetsk" LTD	8 122	3 836
Trading centre "Svobodniy" (5th construction stage)	Krasnoyarsk	"TC Svobodniy" LLC	274	181
Trading centre "Bumerang"	Kursk	CJSC "Kaskad"	74	-
Trade-entertaining centre Metallurgov str.	Tula	"Tula Rekonstruksiya" LTD	-	21 446
Trading centre "Blindonalds"	St. Petersburg	"VINART" LLC	-	3 000
GROSSMART in Water-entertaining centre 45 Parallel str.	Stavropol	"ELEGANS" LLC	-	46
Total land plots under development and construction in progress			**101 832**	**97 826**

As at 30 September 2007 land plots under development with a fair value of USD 20 478 thousand (31 December 2006: USD 7 844 thousand) and a constructions in progress with a carrying value of USD 40 912 thousand (31 December 2006: USD 24 792 thousand) were pledged as collateral under the loans received in the total amount of USD 44 272 thousand (31 December 2006: USD 7 054 thousand) (Note 13).

(in thousands of US Dollars)

8. Capital Advances

Description of the project	Company's name	30 September 2007	31 December 2006
Capital advances under co-financing agreements			
Trade-administrative centre Dzerzhinskogo str., Tolyatty	"TEKHOSOFT" LLC	6 701	-
Shopping centre Lenin str., Kursk	CJSC "Kaskad"	3 770	3 574
Trading centre Ul'yanka, St. Petersburg	"FINTRADE" LLC	-	4 868
GROSSMART in Water-entertaining centre 45 Parallel str., Stavropol	"ELEGANS" LLC	-	2 396
Total capital advances under co-financing agreements		**10 471**	**10 838**
Capital advances to constructors			
Trading centre Gallery Odintsovo, Odintsovo district, Lokhino village	"RTM Odintsovo" LTD	11 285	5 835
Trading centre Tereshkovoy str., Lipetsk	"RTM Lipetsk" LTD	6 223	1 246
Trading center M. Balkanskaya str., St. Petersburg	OOO "Romex – invest"	5 705	102
Trade-entertaining centre Fizkulturnaya str., Samara	"RTM – Samara" LTD	1 699	377
Trading centre N.Krasnoselskaya str., Moscow	"ExpoTekh" LLC	404	-
Trading center Kushelevka, St. Petersburg	OOO "Markon"	325	230
Trading centre Park House 2, Samara	CJSC "Mercury"	-	540
Trade-entertaining centre Metallurgov str., Tula	"Tula Rekonstruksiya" LTD	-	147
Trade-entertaining centre Park House 1, Samara	CJSC FPK "Orbita"	-	211
Less: provision for impairment of capital advances		-	(104)
Total capital advances to constructors		**25 641**	**8 584**
Total capital advances		**36 112**	**19 422**

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

As at 30 September 2007 capital advances under construction contracts with a fair value of USD 3 770 thousand (31 December 2006: USD 10 838 thousand) were pledged as collateral under the loans received in the total amount of USD 3 752 thousand (31 December 2006: USD 5 165 thousand) (Note 13).

Movements in the provision for capital advances are as follows:

	Note	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Provision for impairment of capital advances as at 1 January		**104**	**-**
Change in provision for impairment of capital advances during the reporting period	23	(106)	101
Foreign exchange difference		2	2
Provision for impairment of capital advances as at 30 September		**-**	**103**

During the nine months ended 30 September 2006 a 100% provision for impairment of capital advances was created in respect to the agency agreement concluded between CJSC FPK "Orbita" and LLC "Vremya". As at 30 September 2007, the provision was recovered due to the repayment by LLC "Vremya" of its liabilities.

(in thousands of US Dollars)

9. Cash and Cash Equivalents

	30 September 2007	31 December 2006
Cash in banks	8 534	2 332
Cash on hand	14	8
Total cash and cash equivalents	**8 548**	**2 340**

10. Loans Issued and Deposits

	30 September 2007	31 December 2006
Non-current deposits and loans issued		
Loans to legal entities	-	30 186
Total non-current deposits and loans issued	**-**	**30 186**
Current deposits and loans issued		
Bank deposits	10 336	-
Loans to legal entities	3 316	26 674
Less: provision for impairment of loans issued	-	(179)
Total current deposits and loans issued	**13 652**	**26 495**
Total deposits and loans issued	**13 652**	**56 681**

Bank deposits represent the amount of USD 7 130 thousand (equivalent of RUR 177 867 thousand) placed in Commercial Bank "Transportny" (limited company) at the fixed of 11% per annum in RUR. They include bank deposits of USD 3 102 thousand (equivalent of RUR 77 400 thousand) which represent the Group's guarantee to the Bank in respect of third parties' borrowings.

Bank deposit represents the amount of USD 1 603 (equivalent of RUR 40 000 thousand) placed in Investment Bank "Trust" at the fixed rate of 8.5 % per annum in RUR.

Bank deposit represents the amount of USD 1 603 (equivalent of RUR 40 000 thousand) placed in CJSC "Svyaz bank" at the fixed rate of 4.8 % per annum in RUR.

Loans to legal entities include loans to "Kolizei" LLC (the amount of loans issued is USD 1 521 thousands) and loan to "RTM Saratov" LLC (the amount of loans issued is USD 968 thousands).

Interest rates on rouble loans issued to legal entities varied from 0.0% to 16.0% per annum (2006: 0.1% to 24.7% per annum).

During the nine months ended 30 September 2006 a 100% provision for impairment of overdue amounts of principal debt and interest on loan issued by CJSC "Mercury" to LLC "Vremya". As at 30 September 2007, the provision was recovered due to the repayment by LLC "Vremya" of its liabilities.

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

	Note	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Provision for impairment of loans issued as at 1 January		**179**	**-**
Change in provision for impairment of loans issued during the reporting period	23	(183)	126
Effect of exchange rate changes		4	1
Provision for impairment of loans issued as at 30 September		**-**	**127**

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

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

(in thousands of US Dollars)

11. Accounts Receivable and Advances

	30 September 2007	31 December 2006
Advances	4 193	3 125
Rental receivables	3 112	1 198
Receivables for assignment contracts	2 273	8 727
Receivables for consultancy services	1 325	-
Receivables for agent agreements	928	-
Receivables for utilities reimbursable by lessees	591	544
Receivables of employees	73	28
Other	1 001	455
Less: provision for impairment of accounts receivable	(310)	(259)
Total accounts receivable and advances received	**13 186**	**13 818**

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

	Note	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Provision for impairment of accounts receivable and advances received as at 1 January		**259**	**-**
Change in provision for impairment of accounts receivable and advances received during the reporting period	23	(12)	333
Provision for impairment of accounts receivable of acquired subsidiary companies		47	-
Foreign exchange difference		16	4
Provision for impairment of accounts receivable and advances received as at 30 September		**310**	**337**

12. Financial Assets Held to Maturity

	30 September 2007	31 December 2006
Bank's bills of exchange	12 278	-
Promissory notes of commercial organisations	1 034	1 048
Less: provision for impairment of financial assets held to maturity	(1 034)	(932)
Total financial assets held to maturity	**12 278**	**116**

As at 30 September 2007, financial assets held to maturity include bills of exchange of Commercial Bank "Transportny" (limited company) (USD 12 278 thousand). These bills of exchange represent the Group's guarantee to the Bank for the borrowings of the third parties. At the date of these interim consolidated financial statements issue the bills of exchange were fully repaid.

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

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

	Note	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Provision for impairment of financial assets held to maturity as at 1 January		**932**	**-**
Change in provision for impairment of financial assets held to maturity during the reporting period	23	49	882
Foreign exchange difference		53	13
Provision for impairment of financial assets held to maturity as at 30 September		**1 034**	**895**

(in thousands of US Dollars)

13. Borrowings

	30 September 2007	31 December 2006
Borrowings from banks		
Long-term borrowings from banks	170 006	138 456
Short-term borrowings from banks	49 670	37 456
Total borrowings from banks	**219 676**	**175 912**
Borrowings from commercial organisations and individuals		
Long-term borrowings from commercial organisations	16 017	15 074
Short-term borrowings from commercial organisations	26 385	53 938
Total borrowings from commercial organisations and individuals	**42 402**	**69 012**
Long-term borrowings	**186 023**	**153 530**
Short-term borrowings	**76 055**	**91 394**
Total borrowings	**262 078**	**244 924**

Interest rates on rouble borrowings from banks ranged from 10% to 16% per annum (2006: from 11% to 18% per annum). Interest rates on borrowings from banks in USD were between 6.6% and 17% per annum (2006: from 11% to 17% per annum). Fixed interest rates on borrowings from banks in EUR were at the rate of 3.5% per annum, variable interest rates pegged to EURIBOR (1 m EURIBOR + 1.1%).

Interest rates on rouble borrowings from commercial organisations ranged from 0% to 17% per annum (2006: 0% to 14% per annum) and on USD-denominated borrowings from commercial organisations were at the rate of 14.5% per annum (2006: 0% and 13% per annum). Interest rates on borrowings from commercial organisations in EUR were between 4% and 5.2% per annum. The Group has also a borrowing received from a commercial organisation in EUR pegged to LIBID.

As at 30 September 2007 the trading centers with a fair value of USD 436 573 thousand (31 December 2006: USD 226 446 thousand) were pledged as collateral under the loans received in the amount of USD 185 551 thousand (31 December 2006: USD 142 045 thousand) (Note 6).

As at 30 September 2007 land plots under development with a fair value of USD 20 478 thousand (31 December 2006: USD 7 844 thousand) and a constructions in progress with a carrying value of USD 40 912 thousand (31 December 2006: USD 24 792 thousand) were pledged as collateral under the loans received in the total amount of USD 44 272 thousand (31 December 2006: USD 7 054 thousand) (Note 7).

As at 30 September 2007 capital advances under construction contracts with a fair value of USD 3 770 thousand (31 December 2006: USD 10 838 thousand) were pledged as collateral under the loans received in the total amount of USD 3 752 thousand (31 December 2006: USD 5 165 thousand) (Note 8).

As at 30 September 2007 stakes in "TC Svobodniy" LLC, "VINART" LLC, "Tula Rekonstruksiya" LTD were pledged by the Group as collateral under the loans received from OJSC Impexbank. Investment property units pertaining to "TC Svobodniy" LLC and "VINART" LLC with fair of USD 85 382 thousand were pledged by the Group.

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 14 990 thousand, that was also pledged by the Group.

The participatory 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 55 288 thousand, that was also pledged by the Group.

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 96 244 thousand, that was pledged by the Group.

The shares of CJSC FPK "Orbita" were pledged by the Group as collateral under the loan received from CJSC Svyaz bank.

(in thousands of US Dollars)

14. Accounts Payable and Advances Received

	30 September 2007	31 December 2006
Non-current accounts payable and advances received		
Guarantee payments received from lessees	2 050	2 107
Finance leases payable	135	73
Other	11	-
Payable for purchase of real estate	-	9 551
Total non-current accounts payable and advances received	**2 196**	**11 731**
Current accounts payable and advances received		
Advances received	10 907	1 547
Payable for purchase of real estate	6 599	7 423
Payables including maintenance, utilities and management of shopping centers	6 075	7 240
Guarantee payments received from lessees	2 143	174
Taxes payable other than income tax	1 452	1 068
Wages and salaries payable	541	225
Payable for financial transactions (assignment)	508	38 217
Operating leases payable	137	217
Other	1 224	481
Total current accounts payable and advances received	**29 586**	**56 592**
Total account payable and advances received	**31 782**	**68 323**

Advances received include prepayments from ZAO Planeta Razvlecheniy in the amount of USD 6 742 thousand for construction of leisure and entertainment center Park-house. The redemption of this amount will be made by transfer to ZAO Planeta Razvlecheniy of a part of the completed investment property Park-house. Finance costs accrued on advances are reflected as interest expense on loans from commercial organizations (Note 22).

15. Share Capital

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

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

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

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

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

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

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

(in thousands of US Dollars)

As the result of the Initial Public Offering 40 000 000 shares have been placed, representing 28.6 percent of the enlarged share capital of the Company. Net consideration received from the Initial Public Offering amounted to RUR 2 276 335 thousand (equivalent of USD 87 880 thousand). On 2 August 2007 the results of the Initial public offering (the IPO) of the Company were registered by the Federal Service on Financial Markets of Russia.

16. Share Premium

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

	Issue of share capital	Legal and consulting services	Shareholder's contribution	Total
Share premium as at 31 December 2006	**-**	**-**	**-**	**-**
Issue of new shares	87 880	(769)	-	87 111
Shareholder's contribution to the subsidiaries' charter capitals	-	-	18 056	18 056
Share premium as at 30 September 2007	**87 880**	**(769)**	**18 056**	**105 167**

Shareholders' contributions to the subsidiaries' charter capital in the amount of USD 18 056 thousands were recognized as the result of the decision made by beneficiary owners of the Group on 27 September 2007. Before 3rd quarter 2007 this amount represented the accounts payable and borrowings due to related parties of the Group.

17. Revaluation Reserve for Land Plots under Development

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Revaluation reserve for land plots under development as at 1 January	**10 191**	**-**
Revaluation surplus on land (Note 7)	3 172	12 921
Deferred tax liabilities arising on revaluation of land (Note 25)	(761)	(3 101)
Effect of exchange rate changes	654	201
Revaluation reserve for land plots under development as at 30 September	**13 256**	**10 021**

18. Minority Interest

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Minority interest as at 1 January	**2 519**	**-**
Share in net profit	172	2 330
Decrease of minority interest due piecemeal acquisition of subsidiaries	(2 672)	-
Acquisition of subsidiaries	-	95
Effect of exchange rate changes	(3)	49
Minority interest as at 30 September	**16**	**2 474**

During the nine months ended 30 September 2007 the Group acquired additional 49% interest in the charter capital of "PANTEKS" LLC and 1% stakes in the charter capital of the following subsidiaries: "RTM Odintsovo" LTD, "INEX" LTD, "Tula Rekonstruksiya" LTD, "VINART" LLC. As a result, the Group's stake in these companies increased to 100%.

19. Revenue from Investment Property

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Revenue from the investment property	36 436	8 088
Utilities reimbursement	3 734	1 554
Total revenue from investment property	**40 170**	**9 642**

(in thousands of US Dollars)

20. Investment Property Operating Expenses

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Utilities costs	3 511	958
Maintenance of investment property	2 429	733
Expenses for the projects management	951	919
Repair of investment property	440	739
Total investment property operating expenses	**7 331**	**3 349**

21. General and Administrative Expenses

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Staff costs	2 308	741
Audit, consultancy and appraisal fee	1 601	43
Security and other professional services	1 151	354
Rent costs	998	572
Marketing and advertising costs	569	170
Depreciation of fixed assets and intangible assets	367	23
Bank charges	367	355
Communication costs	274	101
Supplies	195	120
Insurance	186	91
Travel costs	137	38
Information costs and subscription	114	15
Other	226	244
Total general and administrative expenses	**8 493**	**2 867**

22. Interest Income and Interest Expense

Interest expense for the nine months ended 30 September 2007 and 30 September 2006 included the following:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Interest income		
Interest income on deposits and loans issued	2 536	1 031
Interest income on financial assets held to maturity	546	-
Total interest income	**3 082**	**1 031**
Interest expense		
Interest expenses on loans from banks	(19 071)	(3 769)
Interest expenses on loans from commercial organizations	(5 235)	(1 689)
Finance lease costs	(65)	(1)
Total interest expense	**(24 371)**	**(5 459)**
Interest expense, net	**(21 289)**	**(4 428)**

(in thousands of US Dollars)

23. Provisions for Impairment

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Change in provision for impairment of capital advances (Note 8)	106	(101)
Change in provision for impairment of loans issued and deposits (Note 10)	183	(126)
Change in provision for impairment of accounts receivable and advances (Note 11)	12	(333)
Change in provision for impairment of financial assets held to maturity (Note 12)	(49)	(882)
Provision for impairment	**252**	**(1 442)**

24. Other Income and Other Expenses

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Income from operations with property rights	310	-
Depreciation of losses on origination of assets at rates below market	26	2
Fines and penalties	1	78
Income from disposals of other assets	-	440
Other income	187	959
Total other income	**524**	**1 479**
VAT non-recoverable	(1 064)	(88)
Fines and penalties	(497)	(67)
Other consultancy fees	(353)	-
Losses arising from transactions with derivatives financial instruments	(210)	(1)
Losses from disposals of other assets	(17)	-
Charity	(8)	(37)
State duties	(5)	(3)
Losses on origination of assets at rates below market	(2)	(72)
Other expense	(328)	(474)
Total other expense	**(2 484)**	**(742)**
Other income/(expense), net	**(1 960)**	**737**

Non-recoverable VAT in the amount of USD 1 064 thousands is considered as expense due to incorrectly executed supporting documentation.

25. Income Tax

Income tax expense comprises the following:

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Current tax expense	1 968	383
Deferred taxation movement	23 394	27 506
Deferred taxation charged directly to equity	(761)	(3 101)
Income tax expense for the reporting period	**24 601**	**24 788**

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

(in thousands of US Dollars)

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

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
IFRS profit before taxation	**111 117**	**149 692**
Theoretical tax charge at the rate of 24%	26 668	35 926
Not taxable income from write-off of excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	(13 657)	(12 889)
Profit taxed at different rates in other jurisdictions	(178)	-
Non-deductible expenses less non-taxable income	11 768	1 751
Income tax expense for the period	**24 601**	**24 788**

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

	As at 30 September 2007	Effect of exchange rate changes	Movement	Acquisitions of subsidiaries	As at 31 December 2006
Tax effect of deductible temporary differences					
Net loss from fair value adjustments on investment property	643	23	620	-	-
Accounts payable and advances received	388	31	(554)	-	911
Construction in progress	354	28	(492)	-	818
Accounts receivable and advances	317	22	(329)	11	613
Provisions for impairment	309	35	(106)	26	354
Investment property	139	22	(860)	-	977
Fixed assets	32	1	28	-	3
Borrowings	8	-	(3)	-	11
Financial assets held to maturity	4	-	4	-	-
Other assets	457	18	360	-	79
Loans issued	-	-	(9)	-	9
Gross deferred tax assets	**2 651**	**180**	**(1 341)**	**37**	**3 775**
Tax effect of taxable temporary differences					
Net gain from fair value adjustments on investment property	(62 733)	(3 093)	(11 374)	(12 792)	(35 474)
Investment property	(10 512)	(403)	(8 484)	-	(1 625)
Revaluations reserve for land plots under development	(7 756)	(394)	(761)	-	(6 601)
Constructions in progress	(3 152)	(136)	(1 640)	-	(1 376)
Borrowings	(101)	(8)	145	(238)	-
Fixed assets	(45)	(5)	40	(9)	(71)
Accounts payable and advances received	(38)	(3)	-	-	(35)
Accounts receivable and advances	-	-	18	-	(18)
Loans issued	-	-	3	-	(3)
Gross deferred tax liabilities	**(84 337)**	**(4 042)**	**(22 053)**	**(13 039)**	**(45 203)**
Net deferred tax liabilities	**(81 686)**	**(3 862)**	**(23 394)**	**(13 002)**	**(41 428)**
Deferred tax assets	714	41	(232)	37	868
Deferred tax liabilities	(82 400)	(3 903)	(23 162)	(13 039)	(42 296)

For the nine months ended 30 September 2007 deferred tax liability in the amount of USD 761 thousand arising from temporary differences on land plots under development is recorded within revaluation reserve for land plots under development (30 September 2006: USD 3 101 thousand).

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

(in thousands of US Dollars)

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

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

26. Earning per Share

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

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

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Net profit attributable to shareholders of the parent company (thousands of US Dollars)	86 344	122 574
Weighted average number of ordinary shares in issue (thousands)	116 964	-
Basic and diluted earnings per share (USD Dollars per share)	**0.74**	**-**

The Company changed its legal status from limited liability company to open joint stock company on 14 August 2006. On 27 March 2007 the Company's shares were included in the quotation list "B" of Russian Trading System. The Initial public offering (the IPO) of the Company took place on May 2007. Since 25 October 2007 ordinary shares were included in non-listed stock of Moscow Central Stock Exchange. Therefore, no earnings per share for the nine months ended 30 September 2006 were calculated.

27. Related Party Transactions

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

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

	30 September 2007	Movements	31 December 2006
Accounts payable and advances received	6 356	(29 290)	35 646
Borrowings	41 974	17 828	24 146
Deposits and loans issued	3 230	(10 166)	13 396
Accounts receivable and advances	3 578	(4 676)	8 254

The following amounts which arose due to transactions with related parties are included in the interim consolidated statement of operations for the nine months ended 30 September 2007 and 30 September 2006.

	Nine months ended 30 September 2007	Nine months ended 30 September 2006
Revenue from investment property	5 933	581
Interest income	1 612	327
Interest expenses	1 292	1 879
Other expenses	387	-
Other income	314	18

The compensation paid to the key management personnel totalled USD 273 thousand for the nine months ended 30 September 2007 (nine months ended 30 September 2006: USD 92 thousand).

28. Financial Risk Management

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

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

Credit risk

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

Market risk

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As at 30 September 2007 debt instruments of the Group had not only fixed but also variable rate pegged to EURIBOR. and LIBID. Generally the Group is planning to use fixed rate for funds attraction.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. As at 30 September 2007 the Group had balances denominated in Russian Roubles, USD and EUR. During the nine months ended 30 September 2007 the Group hedged exchange currency risk in jointly controlled entity REMA Immobilien LLC, using derivative financial instruments. At the reporting date the Group has no derivative financial instruments.

Liquidity risk

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

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

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

(in thousands of US Dollars)

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

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**No state maturity**	**Total**
Assets							
Investment property	-	-	-	-	-	501 013	501 013
Land plots under development and construction in progress	-	-	-	-	-	101 832	101 832
Capital advances	-	-	-	-	-	36 112	36 112
Cash and cash equivalents	8 548	-	-	-	-	-	8 548
Loans issued and deposits	10 365	108	3 179	-	-	-	13 652
Accounts receivable and advances	5 740	5 751	1 695	-	-	-	13 186
Financial assets held to maturity	-	12 278	-	-	-	-	12 278
Current income tax asset	1 646	-	-	-	-	-	1 646
VAT recoverable	-	-	-	-	-	28 148	28 148
Goodwill	-	-	-	-	-	4 410	4 410
Fixed assets	-	-	-	-	-	2 620	2 620
Deferred income tax assets	-	-	-	-	-	714	714
Other assets	356	-	-	-	-	-	356
Total assets	**26 655**	**18 137**	**4 874**	**-**	**-**	**674 849**	**724 515**
Liabilities							
Borrowings	10 108	20 328	45 619	129 413	56 610	-	262 078
Accounts payable and advances received	16 286	11 169	2 131	1 667	529	-	31 782
Current income tax liabilities	770	-	-	-	-	-	770
Deferred income tax liabilities	-	-	-	-	-	82 400	82 400
Total liabilities	**27 164**	**31 497**	**47 750**	**131 080**	**57 139**	**82 400**	**377 030**
Net liquidity gap as at 30 September 2007	**(509)**	**(13 360)**	**(42 876)**	**(131 080)**	**(57 139)**	**592 449**	**347 485**
Cumulative liquidity gap as at 30 September 2007	**(509)**	**(13 869)**	**(56 745)**	**(187 825)**	**(244 964)**	**347 485**	
Cumulative liquidity gap as at 31 December 2006	**(9 698)**	**(40 916)**	**(67 470)**	**(192 699)**	**(200 108)**	**141 895**	

29. Fair Value of Financial Instruments

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

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

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

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

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

Loans issued

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

Financial assets held to maturity

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

Borrowings

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

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

30. Contingencies and Commitments

Legal proceedings

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

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

Tax legislation

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

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

As at 30 September 2007 the Group has VAT recoverable in the amount of USD 28 148 thousand (31 December 2006: USD 23 368 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.

(in thousands of US Dollars)

Pledged assets

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

		30 September 2007		31 December 2006	
	Note	**Carrying value of assets pledged**	**Related obligation**	**Carrying value of assets pledged**	**Related obligation**
Bank deposits	10	3 102	3 006	-	-
Financial assets held to maturity	12	12 278	11 930	-	-
Investment property	6, 13	436 573	185 551	226 446	142 045
Land plots under development and construction in progress	7,13	61 390	44 272	32 636	7 054
Capital advances	8, 13	3 770	3 752	10 838	5 165
Total pledged assets		**517 113**	**248 511**	**269 920**	**154 264**

As at 30 September 2007, bank deposits represent the amount of USD 3 102 thousand (equivalent of RUR 77 400 thousand) placed in Commercial Bank “Transportny” (limited company) at the fixed rate of 11% per annum in RUR. These bank deposits represent the Group's guarantee to the Bank in respect of third parties’ borrowings (Note 10).

As at 30 September 2007, financial assets held to maturity include bills of exchange of Commercial Bank “Transportny” (limited company) (USD 12 278 thousand). These bills of exchange represent the Group's guarantee to the Bank for the borrowings of the third parties. At the date of these interim consolidated financial statements issue the bills of exchange were fully repaid (Note 12).

As at 30 September 2007 the trading centers with a fair value of USD 436 573 thousand (31 December 2006: USD 226 446 thousand) were pledged as collateral under the loans received in the amount of USD 185 551 thousand (31 December 2006: USD 142 045 thousand) (Note 6).

As at 30 September 2007 land plots under development with a fair value of USD 20 478 thousand (31 December 2006: USD 7 844 thousand) and a constructions in progress with a carrying value of USD 40 912 thousand (31 December 2006: USD 24 792 thousand) were pledged as collateral under the loans received in the total amount of USD 44 272 thousand (31 December 2006: USD 7 054 thousand) (Note 7).

As at 30 September 2007 capital advances under construction contracts with a fair value of USD 3 770 thousand (31 December 2006: USD 10 838 thousand) were pledged as collateral under the loans received in the total amount of USD 3 752 thousand (31 December 2006: USD 5 165 thousand) (Note 8).

As at 30 September 2007 stakes in “TC Svobodniy” LLC, “VINART” LLC, “Tula Rekonstruksiya” LTD were pledged by the Group as collateral under the loans received from OJSC Impexbank. Investment property units pertaining to “TC Svobodniy” LLC and “VINART” LLC with fair of USD 85 382 thousand were pledged by the Group.

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 14 990 thousand, that was also pledged by the Group.

The participatory 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 55 288 thousand, that was also pledged by the Group.

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 96 244 thousand, that was pledged by the Group.

The shares of CJSC FPK “Orbita” were pledged by the Group as collateral under the loan received from CJSC Svyaz bank.

Leasehold properties

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

(in thousands of US Dollars)

Capital commitments

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

	30 September 2007	31 December 2006
Less than 1 year	3 152	3 122
From 1 to 5 years	-	34 000
Total capital commitments	**3 152**	**37 122**

Derivative financial instruments

Derivative financial instruments are used primarily to hedge foreign exchange risk. The Company incurred foreign exchange risk from liability in USD. To minimise that exchange risk the jointly controlled entity REMA Immobilien LLC (engagement in USD liabilities in the amount of USD 27 810 thousand or equivalent of RUR 693 840 thousand) the Group entered into one forward contract on 18 May 2007. The settlement date of the forward is 22 August 2007. As a result of this operation the Company recognised a loss in the amount USD 210 thousand (Note 24). At the same time liabilities in USD were converted to liabilities in Euro and the Company recognised a loss from foreign exchange differences in the amount USD 199 thousand.

31. Acquisitions of Subsidiaries

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

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

During the nine months ended 30 September 2007 the Company purchased 1% stakes in the following subsidiaries: "RTM Odintsovo" LTD, "INEX" LTD, "Tula Rekonstruksiya" LTD, "VINART" LLC.

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

	30 September 2007	31 December 2006
OOO "Romex – invest"	1 765	1 765
"Tula Rekonstruksiya" 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
Effect of exchange rate changes	322	91
Total goodwill	**4 410**	**4 179**

(in thousands of US Dollars)

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

	30 September 2007	**31 December 2006**
"MARTA" Vermögensberatung GmbH	54 803	-
"PANTEKS" LLC	1 246	1
"Mobil Systems" LTD	-	22 530
"RTM Odintsovo" LTD	-	7 821
CJSC "Kaskad"	-	3 966
CJSC "Mercury"	-	2 670
"TC Svobodniy" LLC	-	2 627
"RTM – Samara" LTD	-	2 254
MP Trading LLC	-	2 223
CJSC FPK "Orbita"	-	827
"ExpoTekh" LLC	-	510
"Dom torgovli № 1 "Era- 2" LLC	-	155
OOO "Markon"	-	108
"RTM Lipetsk" LTD	-	2
"RTM Finance" LTD	-	1
"ELEGANS" LLC		
Effect of exchange rate changes	856	1 062
Excess of acquirer's interest in the net fair value of acquiree's net assets over cost arising on acquisition of subsidiaries	**56 905**	**46 757**

"MARTA" Vermögensberatung GmbH

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

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

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

(in thousands of US Dollars)

Panteks LLC

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

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

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

32. Subsequent Events

On 10 October 2007 the Company purchased 10% stakes in the "RTM Lipetsk" LTD. As the results, the company's stake in this company increased to 100%.

On 17 October 2007 the extraordinary shareholders meeting was held. The decision made was to approve OAO RTM as a guarantor for anticipating long-term non-renewable credit line of Sberbank of the Russian Federation to "RTM Lipetsk" LTD for the total amount of USD 48 098 thousand (RUR 1 200 000 thousand).

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

On 13 November 2007 the Board of Directors approved a decision to conclude a credit contract with C.R.R. B.V. (Holland) in the amount of USD 55 000 thousand (RUR 1 372 212 thousand) and grant as collateral 100% stake in charter capital of "TC Svobodniy" LLC.

On 3 December 2007 OAO RTM formed the company OOO "RTM-Razvitie".

On 15 December 2007 the Group sold the investment property and fixed assets in Vienna, Austria.

On 20 December 2007 the Group sold 100% stake in the charter capital of RTM Handels – und Beteiligungs GmbH to Thermoplastic Holding GmbH being a related company of the Group.

In December 2007 the Group obtained the borrowing from ING BANK (EURASIA) ZAO in the amount of USD 35 000 thousand (RUR 873 226 thousand) with maturity date 30 September 2008. Interest rate under the borrowing during the first six months is LIBOR (one month) + 3%, and subsequently – LIBOR (one month) + 3.5%.

On 1 February 2008 the stake of OJSC InvestRetailGroup in the share capital of OAO RTM was decreased from 14.25% to 0.0% whereas the stake of Pilot Holding GmbH was increased from 14.25% to 23.54%.

During the period from January to February 2008 the companies controlled by general director of OAO RTM Mr. Vyrypaev purchased 35.7% shares of OAO RTM which earlier had been controlled by president of MARTA Holding and the chairman of Board of directors of OAO RTM Mr. Trefilov and Mr. Vasiljev. Thus, Mr. Vyrypaev controls 71.4% shares of OAO RTM.

On 10 February 2008 OAO RTM purchased 100% stake in charter capital of Tillerson Holdings Limited (Cyprus).

On 11 February 2008 OOO "Markon" concluded an agreement with Hamlingate Investments Limited for anticipating the loan in the amount of RUR 207 480 thousand (USD 8 316 thousand) with maturity date 15 February 2009. Interest rate on the loan agreement is 10.75% per annum.

On 20 February 2008 "MARTA" Vermögensberatung GmbH singed a share purchase agreement to acquire 100% of the share of ReMa Immobilien LLC from Mareal GmbH, a subsidiary of the Group and which is included in this interim consolidated financial statements using proportional consolidation.

On 27 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 4 March 2008 the extraordinary general meeting of shareholders of OAO RTM has approved the decision of the Board of Directors to increase the OAO RTM registered capital by means of an additional issue of 87 804 880 ordinary registered uncertified shares having a par value of 0.001 rubles per share. In conformity with the Russian legislation, the issue of additional shares of OAO RTM will be carried out in two stages. At first, the existing shareholders will be able to exercise their preemptive right to purchase the shares in quantities that are in proportion to the number of shares of this type they currently hold. Following that, the shares will be floated for public subscription. According to the decision of the extraordinary general meeting of shareholders of OAO RTM, the issue price of the additional ordinary shares cannot exceed USD 2.05 per share. The issue price of the shares offered to the preemptive right holders shall not be lower more than 10% than the price of the additional ordinary shares offered to other purchasers.