OJSC Rosinter Restaurants Holding

Unaudited Interim Condensed
Consolidated Financial Statements

For the six months ended June 30, 2010

OJSC Rosinter Restaurants Holding
Selected Notes to Interim Condensed Consolidated Financial Statements
for the six months ended June 30, 2010

TABLE OF CONTENTS

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/russia

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

Report on review of interim condensed consolidated financial statements

To the Board of Directors of OJSC Rosinter Restaurants Holding

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC Rosinter Restaurants Holding and its subsidiaries ("the Group"), comprising the interim condensed consolidated statement of financial position as at June 30, 2010 and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

September 15, 2010

OJSC Rosinter Restaurants Holding

Interim Condensed Consolidated Statement of Financial Position

(All amounts are in thousands of Russian Roubles, unless specified otherwise)

	Notes	June 30, 2010 Unaudited	December 31, 2009 Audited
ASSETS			
Non-current assets			
Property and equipment	4	2,300,003	2,383,555
Intangible assets		262,738	327,408
Goodwill		143,137	143,137
Investments in joint ventures and associates	5	9,301	27,722
Long-term loans due from related parties	10	131,966	143,754
Long-term advances to related parties	10	198,527	165,430
Long-term receivables from related parties	10	41,406	37,950
Deferred income tax asset		96,329	81,679
Other non-current assets		238,853	139,212
		3,422,260	**3,449,847**
Current assets			
Inventories		167,585	200,301
Advances paid		113,986	134,599
VAT and other taxes recoverable		107,820	107,939
Trade and other receivables		120,541	96,206
Short-term loans		14,386	2,406
Short-term loans due from related parties	10	71,104	71,333
Receivables from related parties	10	58,243	74,316
Cash and cash equivalents	6	211,775	113,243
		865,440	**800,343**
TOTAL ASSETS		**4,287,700**	**4,250,190**
EQUITY AND LIABILITIES			
Share capital	7	2,490,852	2,041,569
Additional paid-in capital	7	402,293	402,293
Share premium	7	1,557,392	1,230,538
Treasury shares	7	(337,942)	(212,628)
Other capital reserves	18	4,960	–
Accumulated losses		(3,251,901)	(3,368,687)
Translation difference		(65,951)	(30,769)
TOTAL PARENT SHAREHOLDERS' EQUITY		**799,703**	**62,316**
Non-controlling interest		**27,015**	**33,498**
TOTAL EQUITY		**826,718**	**95,814**
Non-current liabilities			
Long-term debt due to related parties	10	25,399	24,624
Long-term debt	11	830,259	1,031,224
Finance lease liabilities		17	362
Long-term liabilities to partners	9	103,193	125,490
Deferred income		39,171	46,610
Deferred income tax liability		84,657	78,231
		1,082,696	**1,306,541**
Current liabilities			
Trade and other payables		1,146,966	1,413,759
Short-term debt	13	855,977	954,106
Current portion of long-term debt	13	168,925	214,813
Payables to related parties	10	31,070	44,694
Income tax payable		84,339	82,591
Current portion of finance lease liabilities		2,314	4,363
Current liabilities to partners	9	54,168	112,100
Deferred income		34,527	21,409
		2,378,286	**2,847,835**
TOTAL EQUITY AND LIABILITIES		**4,287,700**	**4,250,190**

The accompanying notes form an integral part of these condensed consolidated financial statements

OJSC Rosinter Restaurants Holding

Interim Condensed Consolidated Income Statement

(All amounts are in thousands of Russian Roubles, except for earnings per share)

		For the six months ended June 30,	
		2010	**2009**
	Notes	**Unaudited**	
Revenue	14	**4,691,904**	**4,011,944**
Cost of sales	15	(3,568,300)	(3,070,874)
Gross profit		**1,123,604**	**941,070**
Selling, general and administrative expenses	16	(741,251)	(678,655)
Start-up expenses for new restaurants		(24,628)	(21,038)
Decrease in the allowance for impairment of advances paid, taxes recoverable and receivables		(450)	(4,803)
Other gains		20,498	19,547
Other losses		(89,219)	(86,589)
Profit from operating activities before impairment		**288,554**	**169,532**
Gain/Loss from impairment of operating assets	4	4,363	(16,840)
Profit from operating activities after impairment		**292,917**	**152,692**
Financial income		17,948	11,507
Financial expense		(123,420)	(146,570)
Foreign exchange losses , net		(9,296)	(32,025)
Share of losses of joint venture and associates	5	(21,275)	(11,388)
Profit/(loss) before income tax		**156,874**	**(25,784)**
Income tax expense	12	(45,749)	(75,144)
Net profit/(loss) for the period		**111,125**	**(100,928)**
Attributable to:			
Equity holders of the parent entity		116,786	(94,170)
Non-controlling interest		(5,661)	(6,758)
		111,125	**(100,928)**
Earnings/(losses) per share, basic and diluted, Russian Roubles	7	**9.82**	**(7.92)**

The accompanying notes form an integral part of these condensed consolidated financial statements

OJSC Rosinter Restaurants Holding

Interim Condensed Consolidated Statement of Comprehensive Income

(All amounts are in thousands of Russian Roubles, except for earnings per share)

	For the six months ended June 30,	
	2010	**2009**
	Unaudited	
Net profit/(loss) for the period	**111,125**	**(100,928)**
Exchange differences on translation from functional to presentation currency	(38,036)	(57,417)
Share of exchange differences of associates and joint ventures	2,854	2,560
Other comprehensive loss for the period, net of tax	**(35,182)**	**(54,857)**
Total comprehensive income/(loss) for the period, net of tax	**75,943**	**(155,785)**
Attributable to:		
Equity holders of the parent entity	81,604	(149,027)
Non-controlling interest	(5,661)	(6,758)
	75,943	**(155,785)**

The accompanying notes form an integral part of these condensed consolidated financial statements

OJSC Rosinter Restaurants Holding

Interim Condensed Consolidated Cash Flow Statement

(All amounts are in thousands of Russian Roubles)

	Notes	For the six months ended June 30, 2010	2009
		Unaudited	
Operating activities			
Profit/(loss) before income tax		156,874	(25,784)
Adjustments to reconcile profit/(loss) before income tax to net cash provided by operating activities:			
Depreciation and amortization		197,934	205,106
Foreign exchange losses		9,296	32,025
Financial income		(17,948)	(11,507)
Financial expense		123,420	146,570
Allowance for impairment of advances paid, taxes recoverable and receivables		450	4,803
Allowance for impairment of inventories		(6,437)	89
Loss on disposal of non-current assets		30,541	39,796
Impairment of assets		(4,363)	16,840
Share of joint venture's and associates' results	5	21,275	11,388
Write off and impairment of loans receivable from related parties		633	10,185
Share based payments	18	4,960	–
		516,635	**429,511**
Changes in operating assets and liabilities:			
Decrease in inventories		39,275	35,856
(Increase)/decrease in advances, taxes recoverable, receivables and other non-current assets		(119,241)	63,072
Decrease in receivables from/payables to related parties, net		(32,562)	(13,758)
(Decrease)/increase in trade and other payables		(209,527)	152,153
Net cash generated from operations		**194,580**	**666,834**
Interest paid		(137,521)	(154,444)
Interest received		5,704	1,720
Income tax paid		(90,038)	(61,183)
Net cash flows from operating activities		**(27,275)**	**452,927**
Investing activities			
Purchases of property and equipment		(104,308)	(97,833)
Loans issued to related parties		(163,548)	(5,498)
Proceeds from repayment of loans issued to related parties		161,135	–
Prepayments to acquire subsidiaries		(33,097)	(12,360)
Purchase of intangible assets		(3,610)	(8,565)
Proceeds from disposal of property and equipment		6,448	10,379
Proceeds from repayment of loans issued to third parties		5	1,131
Proceeds from sale of shares in subsidiaries		–	210
Net cash flows used in investing activities		**(136,975)**	**(112,536)**

Continued on the next page

OJSC Rosinter Restaurants Holding

Interim Condensed Consolidated Cash Flow Statement (continued)

(All amounts are in thousands of Russian Roubles)

		For the six months ended June 30,	
		2010	**2009**
	Notes	**Unaudited**	
Financing activities			
Acquisition of treasury shares		(125,314)	–
Proceeds from issue of shares	7	776,137	–
Proceeds from bank loans *		2,266,917	1,869,234
Repayment of bank loans *		(2,605,488)	(2,174,686)
Amounts paid to partners	9	(44,911)	(33,614)
Proceeds from partners	9	–	3,612
Repayment of lease obligations		(2,911)	(7,796)
Net cash flows (used in)/from financing activities		**264,430**	**(343,250)**
Effect of exchange rate on cash and cash equivalents		(1,648)	(3,642)
Net increase/(decrease) in cash and cash equivalents		98,532	(6,501)
Cash and cash equivalents at beginning of the year		**113,243**	**174,334**
Cash and cash equivalents at end of the year		**211,775**	**167,833**

* The Group uses financing which, due to the short term nature of this debt (3 to 11 months), requires repayment and reissuance several times throughout the year.

OJSC Rosinter Restaurants Holding

Interim Condensed Consolidated Statement of Changes in Equity

(All amounts are in thousands of Russian Roubles)

	Attributable to equity holders of the parent entity									
	Share capital	**Addition paid-in capital**	**Share premium**	**Treasury shares**	**Other capital reserves**	**Accumulated losses**	**Translation difference**	**Parent shareholder's equity**	**Non-controlling interests**	**Total Equity**
At January 1, 2010	**2,041,569**	**402,293**	**1,230,538**	**(212,628)**	–	**(3,368,687)**	**(30,769)**	**62,316**	**33,498**	**95,814**
Net profit for the period	–	–	–	–	–	116,786	–	**116,786**	(5,661)	**111,125**
Other comprehensive loss for the period	–	–	–	–	–	–	(35,182)	**(35,182)**	–	**(35,182)**
Total comprehensive income for the period	–	–	–	–	–	**116,786**	**(35,182)**	**81,604**	**(5,661)**	**75,943**
Issue of share capital, net of issuance costs	449,283	–	326,854	–	–	–	–	**776,137**	–	**776,137**
Treasury shares *(Note 7)*	–	–	–	(125,314)	–	–	–	**(125,314)**	–	**(125,314)**
Share based payments *(Note 18)*	–	–	–	–	4,960	–	–	**4,960**	–	**4,960**
Dividends	–	–	–	–	–	–	–	–	**(822)**	**(822)**
At June 30, 2010 (unaudited)	**2,490,852**	**402,293**	**1,557,392**	**(337,942)**	**4,960**	**(3,251,901)**	**(65,951)**	**799,703**	**27,015**	**826,718**
At January 1, 2009	**2,041,569**	**402,293**	**1,230,538**	**(212,628)**	–	**(2,970,309)**	**15,767**	**507,230**	**40,379**	**547,609**
Net loss for the period	–	–	–	–	–	(94,170)	–	**(94,170)**	(6,758)	**(100,928)**
Other comprehensive loss for the period	–	–	–	–	–	–	(54,857)	**(54,857)**	–	**(54,857)**
Total comprehensive loss for the period	–	–	–	–	–	**(94,170)**	**(54,857)**	**(149,027)**	**(6,758)**	**(155,785)**
Purchase of non-controlling interest in a subsidiary *(Note 8)*	–	–	–	–	–	(126,347)	–	**(126,347)**	–	**(126,347)**
Dividends	–	–	–	–	–	–	–	–	**(634)**	**(634)**
At June 30, 2009 (unaudited)	**2,041,569**	**402,293**	**1,230,538**	**(212,628)**	–	**(3,190,826)**	**(39,090)**	**231,856**	**32,987**	**264,843**

The accompanying notes form an integral part of these condensed consolidated financial statements

1. Corporate Information

OJSC Rosinter Restaurants Holding (the "Company") was registered as a Russian open joint stock company on May 24, 2004. The registered and headquarter address of the Company is at 7 Dushinskaya str., Moscow, 111024, Russia. As of June 30, 2010, the Company's controlling shareholder was RIG Restaurants Limited, a limited liability company (the "Parent") (formerly known as Rostik Restaurants Limited) incorporated under the laws of Cyprus. RIG Restaurants Limited is under the ultimate control of Mr. Rostislav Ordovsky-Tanaevsky Blanco.

OJSC Rosinter Restaurants Holding and its subsidiaries (the "Group") is the leading casual dining operator in Russia and the CIS both by number of restaurants and by revenue. The Group's business is focused in serving the most popular cuisines in Russia: Italian, Japanese, American and local Russian cuisine.

The Group derives approximately 90% of its revenues from restaurant business sales:

- most of the Group's restaurants operate under its core proprietary trademarks: "IL Patio pizza pasta grill", "Planet Sushi", "American Bar and Grill", "Pechki-Lavochki" and "1 2 3 Cafe";
- other restaurants operate under licensed trademarks: "T.G.I. Friday's", "Sibirskaya Korona" and "Benihana".

Other revenue of the Group represents revenue from the network of independent franchisees in Moscow and throughout Russia and the CIS, sublease and other services, revenues from canteens and from sales of semi-finished products.

The Group's principal business activities are concentrated within the Russian Federation, but it also operates in Ukraine, Belarus, Kazakhstan, Latvia, Czech Republic, Poland and Hungary. The Group also has exclusive development rights and/or registered trademarks in Azerbaijan, Kyrgyzstan, Uzbekistan, Moldova, Lithuania, Estonia, Austria, Slovenia, Slovakia, Romania, Croatia, Macedonia, Bulgaria, Serbia and Montenegro.

In June 2007, the Parent sold 3,125,000 ordinary shares of the Company during the Initial Public Offering for a cash consideration of 100,000 thousand US dollars (RUR 2,590,403 at exchange rate at June 1, 2007). At the same time, the Company issued and sold 2,030,457 new shares to the Parent at a price of RUR 766.99. The nominal price of the shares issued was RUR 169.70 (6.55 US dollars at the transaction date exchange rate). The shares of the Company sold by the Parent were admitted for trading on the Russian Trading System Stock Exchange and afterwards on MICEX. In February - August 2010, the Group performed a two step secondary offering of 4,274,877 new shares of the Company at 10.5 US dollars per share through open subscription (Note 7).

The interim condensed consolidated financial statements for the six months ended June 30, 2010 and 2009, were authorised for issue in accordance with a resolution of the Board of Directors on September 15, 2010.

As of June 30, 2010 and 2009, the Group employed approximately 7,250 and 6,900 people, respectively.

During the six months ended June 30, 2010 the Group opened 8 new restaurants and closed 8 restaurants. During the six month ended June 30, 2009, the Group closed a net number of 10 restaurants. In addition, the Group continues to develop a casual dining restaurant business on a franchise agreement basis. During the six months ended June 30, 2010 the Group opened 10 and closed 4 franchise restaurants. During the six months ended June 30, 2009 the Group opened 12 and closed 2 franchise restaurants. As of June 30, 2010, the Group operated 356 restaurants.

2. Going Concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group's current liabilities as of June 30, 2010, of RUR 2,378,286 exceeded its current assets by RUR 1,512,846. The net current liability position primarily results from bank loans in the amount of RUR 1,024,902.

Group management believes that it is appropriate to prepare the financial statements on a going concern basis due to the following:

- During the six months ended June 30, 2010 the Company received RUR 776,137 proceeds from the secondary Offering and the Subscription (Note 7). The proceeds from the Offering were primarily used to reduce current debt that substantially increased the financial stability of the Group. The Company successfully finalized the secondary Offering and the remaining proceeds were received by August 5, 2010.
- During the six months ended June 30, 2010, the Group generated negative cash flows in an amount of RUR 27,275. This outflow was a result of an investment of operating cash flow to increase working capital reflecting the policy of the Group aimed at reducing liabilities to suppliers, which decreased by RUR 209,527 during the six months ended June 30, 2010. Under the current economic environment the Group is expecting for 2010 positive operating cash flows coming from all 2009 and 2010 efficiency initiatives. During the six months ended June 30, 2009, the Group generated RUR 452,927 of net cash from operating activities.
- Management has introduced enhanced operational initiatives designed to improve the Group's liquidity. Actions implemented include, among others, an new capital expenditure process, an improvement in the business economics through savings in labor, food and beverage costs, and an increased franchised component in its new restaurant development plan. The recent economic situation has also allowed the Group to significantly lower rent expenses.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might be necessary if such additional resources are not available and the Group is unable to continue as a going concern.

3. Basis of Preparation and Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements for the six months ended June 30, 2010, have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2009.

Operating results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

Changes in Accounting Policy and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the six months ended June 30, 2010, are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2009.

3. Basis of Preparation of Financial Statements (continued)

Changes in Accounting Policy and Disclosures (continued)

As some reclassifications were made in the full year consolidated financial statements for the year ended December 31, 2009 the following reclassifications in the six month period ended June 30, 2009 comparative numbers were made:

Extract from Consolidated Income Statement at June 30, 2009

	As reported	Reclassifications	As reclassified
Revenue *	4,104,382	(92,438)	4,011,944
Cost of sales *, **	(2,848,625)	(222,249)	(3,070,874)
Gross profit	**1,255,757**	**(314,687)**	**941,070**
Selling, general and administrative expenses **	(1,019,183)	340,528	(678,655)
Start-up expenses for new restaurants ***	–	(21,038)	(21,038)
Allowance for impairment of advances paid, taxes recoverable and receivables ***	–	(4,803)	(4,803)
Other gains	19,547	–	19,547
Other losses	(86,589)	–	(86,589)
Foreign exchange gains from operating activities, net ****	8,975	(8,975)	–
Profit from operating activities before impairment	**178,507**	**(8,975)**	**169,532**
Foreign exchange losses from financial activities, net ****	(41,000)	41,000	–
Foreign exchange losses, net ****	–	(32,025)	(32,025)

* The Group reclassified marketing revenue received from suppliers to cost of sales.

** The Group reclassified general restaurants expenses from selling, general and administrative expenses to cost of sales.

*** The Group reclassified start-up expenses for new restaurants and allowance for impairment of advances paid, taxes recoverable, receivables from selling, general and administrative expenses to separate lines.

**** In order to provide greater comparability to the financial statements of other public companies the Group disclosed foreign exchange gains/(losses) from operating and financing activities jointly in consolidated income statement at June 30, 2010.

Extract from Consolidated Statement of Cash Flows at June 30, 2009

	As reported	Reclassifications	As reclassified
Net cash from operations	**666,834**	–	**666,834**
Interest paid *	–	(154,444)	(154,444)
Interest received *	–	1,720	1,720
Income tax paid	(61,183)	–	(61,183)
Net cash from operating activities	**605,651**	**(152,724)**	**452,927**
Interest received from loans issued to related parties	160	(160)	–
Interest received from bank deposit	1,560	(1,560)	–
Net cash from investing activities	**(110,816)**	**(1,720)**	**(112,536)**
Bank interest paid	(154,444)	154,444	–
Net cash from financing activities	**(497,693)**	**154,444**	**(343,250)**

* The Group changed the presentation of interest paid and interest received in the consolidated statement of cash flows as compared to the presentation in consolidated financial statement ended June 30, 2009.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not effective yet.

4. Property and Equipment

During the six months ended June 30, 2010 and 2009, the Group acquired assets with a cost of RUR 111,814 and RUR 103,899, respectively, not including property and equipment acquired through a business combination. Assets with a net book value of RUR 32,205 and RUR 42,735 were disposed of by the Group during the six months ended June 30, 2010 and 2009, respectively, resulting in a net loss on disposal of RUR 25,754 and RUR 39,480, respectively.

The Group recognised impairment losses of property and equipment for the six months ended June 30, 2009, in the amount of RUR 16,840, as the recoverable amount of these assets is nil at the same date. Impairment losses were identified as a result of the testing at the level of restaurants (cash generating units). Recognised impairment losses of property and equipment relate to loss-making restaurants located in Moscow, Krasnoyarsk and Samara. During the six months ended June 30, 2010, the Group reversed accumulated impairment loss of property and equipment in the amount of RUR 4,363.

5. Investments in Joint Ventures and Associates

The Group accounted for investments in joint ventures and associates under the equity method. Costa Joint Venture includes Rosworth Investment Limited and its operating subsidiary Brava LLC.

The movement in investments in joint ventures and associates was as follows:

	Costa Joint Venture	**Associates**	**Total**
At December 31, 2009	**22,522**	**5,200**	**27,722**
Share of (loss)/profit	(21,771)	496	**(21,275)**
Translation difference	2,854	–	**2,854**
At June 30, 2010	**3,605**	**5,696**	**9,301**
At December 31, 2008			
Investments in joint ventures	39,381	4,402	**43,783**
Share of profit/(loss)	(11,728)	340	**(11,388)**
Translation difference	2,560	–	**2,560**
At June 30, 2009	**30,213**	**4,742**	**34,955**

6. Cash and Cash Equivalents

For the purpose of the interim consolidated cash flow statement, cash and cash equivalents are comprised of the following:

	June 30, 2010	**December 31, 2009**
	Unaudited	**Audited**
Cash in bank	149,916	65,660
Cash in hand	14,031	20,083
Cash in transit	24,760	18,759
Short-term deposits	23,068	8,741
Total cash and cash equivalents	**211,775**	**113,243**

7. Share Capital

Share Capital

The authorized and issued share capital of the Company as of June 30, 2010 and December 31, 2009 comprised 16,305,334 and 12,030,457 shares respectively. As at June 30, 2010 the share capital of the Company comprised of 14,677,968 shares issued, subscribed and fully paid.

On February 11, 2010, the Group announced a secondary offering (the "Offering") of the Company's ordinary shares to be completed in two steps. In the first step of the offering, RIG Restaurants Limited, the Parent, placed 2,619,048 shares of the Company at 10.5 US dollars per share for a total offer size of 27,500 thousand US dollars (RUR 857,874 at the exchange rate at June 30, 2010), before fees and expenses.

The Parent provided the Group with a loan in the amount of 26,196 thousand US dollars (RUR 770,956 at exchange rate on the date of receipt). According to the loan agreement the Group was entitled to repay this loan by delivering 2,619,048 own shares or in cash. The Group recognised this loan as an equity instrument with an embedded call option on own shares. The Group measured the embedded option at fair value through profit or loss. In June 2010 the Group used the option to repay the loan in cash.

On May 25, 2010, during the second step of the offering, the Company issued 4,274,877 new shares with a nominal value of 169.7 Russian Roubles per share for open subscription (the "Subscription") at the price of 10.5 US dollars (RUR 324.19 at exchange rate at May 25, 2010). As at June 30, 2010 2,647,511 shares were subscribed and fully paid in total amount of RUR 815,908 by shareholders in realization of their pre-emptive rights.

As at June 30, 2010 all the expenses of the Parent and the Company directly attributable to the offering in the amount of RUR 39,772 were netted with the proceeds for the offering in equity.

On August 5, 2010 the Company successfully finished the Subscription and the Offering having placed 4,274,877 shares.

On December 27, 2007, the Group bought back 146,970 shares from the Parent at a price of RUR 1,446.74 for the amount of RUR 212,628. On March 12, 2010, the Group bought back 400,000 shares from the Parent at a price of RUR 313.28 for the amount of RUR 125,314. These shares were accounted for as treasury shares in total amount of RUR 337,942.

Earnings /(losses) per Share

Earnings/(losses) per share were calculated by dividing the net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	For the six months ended June 30,	
	2010	**2009**
	Unaudited	
Net profit/(loss) attributable to equity holders of the Parent	116,786	(94,170)
Weighted average number of ordinary shares outstanding	11,894,948	11,883,487
Earnings/(losses) per share attributable to equity holders of the Parent, basic and diluted (Russian Roubles)	**9.82**	**(7.92)**

The Company has no potentially dilutive ordinary shares; therefore, the diluted (losses)/earnings per share equal basic (losses)/earnings per share.

8. Purchase of Non-controlling Interest in a Subsidiary

On May 12, 2009, the Group acquired 49% of the share capital and settled certain accounts payables of Rosinter Restaurants Samara CJSC, the Group's subsidiary, for cash consideration of RUR 156,200. The net assets of Rosinter Restaurants Samara were negative at the date of acquisition. The acquisition resulted in excess of the purchase price over the book value of non-controlling interest of RUR 126,347, which was recognized directly in equity.

9. Liabilities to Partners

The movements in liabilities to partners for the six months ended June 30, 2010 and for financial year of 2009 were as follows:

	For the six months ended June 30, 2010	For the year ended December 31, 2009
	Unaudited	Audited
At January 1	**237,590**	**282,224**
(Decrease)/increase in amounts due to partners	(35,509)	18,159
Payments to partners	(44,911)	(66,415)
Capital contributed by partners in cash	–	3,607
Other non-cash settlements	(1,747)	326
Translation difference	1,938	(311)
At June 30 / December 31	**157,361**	**237,590**

10. Related Parties Disclosures

In accordance with IAS 24, Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Short term loans receivable from/payable to related parties were as follows:

		Short-term loans receivable from related parties		Short-term loans payable to related parties	
Related Parties	**Nature of relationship**	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
		Unaudited	Audited	Unaudited	Audited
Rostik Investment Group Inc. (1)	Entity under common control (EUCC)	68,750	68,750	–	–
Other EUCC		2,354	2,583	–	–
Total short-term loans receivable from/payable torelated parties		**71,104**	**71,333**	**–**	**–**

10. Related Parties Disclosures (continued)

Long-term loans receivable from/payable to related parties were as follows:

		Long-term loans receivable from related parties		Long-term loans payable to related parties	
Related Parties	**Nature of relationship**	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
		Unaudited	**Audited**	**Unaudited**	**Audited**
Hodler Finance S.A. (2)	(EUCC)	77,989	120,977	–	–
Other EUCC		53,977	22,777	25,399	24,624
Total long term loans receivable from/payable to related parties		**131,966**	**143,754**	**25,399**	**24,624**

(1) On December 24, 2007, the Group provided Rostik Investment Group Inc. with an unsecured rouble denominated loan in the total amount of RUR 68,750, bearing interest of 14.00% per annum. In December 2009, the loan agreement was renewed with the same interest rate and due date of August 31, 2010.

(2) In November 2009, the Group issued two unsecured loans to Hodler Finance S.A. in the amounts of 3,000 thousand US dollars and 1,000 thousand US dollars (RUR 90,733 and RUR 30,244 at the exchange rate at December 31, 2009) bearing interest of 12.05% and 8.78% per annum, respectively, and maturing in 2012. Such loans correspond to 36.40% portion of the credit lines obtained by the Group from Raiffeisenbank and Credit Europe Bank where related parties provided real estate as supplementary collateral. During the six months ended June 30, 2010, these loans were fully repaid. On January 27, 2010 the Group issued an unsecured loan to Hodler Finance S.A. in the amount of 1,500 thousand US dollars (RUR 77,989 at the exchange rate at June 30, 2009) bearing interest of 8.75% and maturing in 2012.

Long-term receivables from related parties consisted of receivables from Rostik Investment Group Inc. for management and financial advisory services provided by the Group in accordance with a consultancy agreement signed in 2007. In January 2008, the Group entered into an addendum in which the parties agreed that the arrangement must be settled not later than December 31, 2011. The Group discounted the nominal amount of RUR 50,045 at the exchange rate at June 30, 2010, at a market rate of 12.00% per annum. The outstanding balance at amortised cost was RUR 41,406 and RUR 37,950 as at June 30, 2010 and December 31, 2009, respectively.

At June 30, 2010 and December 31, 2009 long-term advances to related parties consisted of payments to CJSC Preobrazhenie for non-controlling shares in the Group's subsidiaries in Omsk in the amount of RUR 198,527 and RUR 165,430 respectively.

Accounts receivable from / payable to related parties were as follows:

		Receivables from related parties		Payables to related parties	
Related Parties	**Nature of relationship**	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
		Unaudited	**Audited**	**Unaudited**	**Audited**
Rostik Investment Group Inc.	EUCC	23,805	19,375	3,655	3,792
RIG Restaurant Limited	Parent company	15,211	7,841	–	–
Brava LLC	Joint Venture	4,264	3,459	986	965
Perm Caramel Restaurants LLC	EUCC	119	9,252	–	–
Tumen Caramel Restaurants LLC	EUCC	–	6,284	–	–
National QSR Network LLC	EUCC	3,216	8,842	–	–
Loyalty Partners Vostok LLC	EUCC	–	–	12,824	21,556
Other EUCC		11,628	19,263	13,605	18,381
Total receivable from / payable to related parties		**58,243**	**74,316**	**31,070**	**44,694**

10. Related Parties Disclosures (continued)

Transactions with related parties were as follows for the six months ended June 30, 2010:

Related Parties	Nature of relationship	Revenue and other income	Purchases	Interest income	Interest expense
		Unaudited			
National QSR Network LLC	EUCC	10,874	–	–	–
Omsk QSR Network LLC	EUCC	11,333	–	–	–
Russian Caramel Restaurants LLC	EUCC	9,292	2	–	–
Brava LLC	Joint Venture	6,362	3,970	–	–
RIG Restaurant Limited	Parent company	–	63,181	8	–
Omsk Caramel Restaurants LLC	EUCC	3,250	–	–	–
Roskorp LLC	EUCC	1,101	69,396	–	–
Rostik Aero LLC	EUCC	156	8,026	–	–
Rosworth Investment Limited	Joint Venture	–	–	379	15,996
Rostik Investment Group Inc.	EUCC	–	12,304	6,610	–
Other EUCC		12,272	23,384	7,610	1,612
Total		**54,640**	**180,263**	**14,607**	**17,608**

Transactions with related parties were as follows for the six months ended June 30, 2009:

Related Parties	Nature of relationship	Revenue and other income	Purchases	Interest income	Interest expense
		Unaudited			
National QSR Network LLC	EUCC	11,822	–	–	–
Omsk QSR Network LLC	EUCC	14,503	–	–	–
Russian Caramel Restaurants LLC	EUCC	9,325	–	–	–
Brava LLC	Joint Venture	6,793	132	–	–
Roskorp LLC	EUCC	1,521	32,547	–	–
Rostik Investment Group Inc.	EUCC	–	–	6,908	–
Other EUCC		12,483	6,080	2,014	1,597
Total		**56,447**	**38,759**	**8,922**	**1,597**

Compensation to Key Management Personnel

Key management personnel totalled 12 and 13 persons as at June 30, 2010 and 2009. Total compensation to key management personnel, including social taxes, was recorded in general and administrative expenses and consisted of the following in the six months ended June 30:

	For the six months ended June 30, 2010	2009
	Unaudited	
Salary	37,925	36,595
Performance bonuses	2,857	–
	40,782	**36,595**

The Group's contributions relating to social taxes for key management personnel amounted to RUR 1,098 and RUR 2,236 during the six months ended June 30, 2010 and 2009, respectively.

11. Long-Term Debt

Long-term debt, at amortized cost, was as follows:

	June 30, 2010	December 31, 2009
	Unaudited	Audited
Sberbank of Russia (Sberbank)	831,389	831,389
Credit Europe Bank	–	181,465
Raiffeisenbank	155,977	51,738
Bonds issued, net of issuance cost	7,169	118,859
Titul LLC	–	35,000
Garant Invest	–	21,171
Other long-term debts	4,649	6,416
	999,184	**1,246,037**
Less: current portion	(168,925)	(214,813)
Total long-term debt	**830,259**	**1,031,224**

Sberbank

On June 3, 2009, the Group entered into a new loan agreement with Sberbank in the amount of RUR 950,000 bearing interest of 18.50% per annum and maturing in June 2012, to cover repayments of bonds in accordance with the early redemption options. The Group has provided Sberbank with a security against this loan which consists of trademarks with a net book value of RUR 446 and pledged value of RUR 588,446, fixed assets of the regional companies with a net book value of RUR 190,059 and pledged value of RUR 550,727, more than 50% of the shares of the companies whose fixed assets have been used as collateral against this loan, 99% of the shares of Moscow company Rosinter Restaurants LLC and 25% plus 1 share of a public company Rosinter Restaurants Holding. The unutilised balance of the loan amounted to RUR 118,611 as of June 30, 2010.

Bonds

In December 2005, Rosinter Restaurants LLC, a Group company, issued 1,000,000 non-convertible bonds with a face value of 1,000 roubles each in an aggregated principal amount of RUR 1,000,000. The bonds have 10 coupons payable semi-annually with variable interest rates declared by the Group. The interest rate for the two coupon periods ended May 2009 was 12.00%. The interest rate for the two coupon periods ended May 2010 was 18.00%. During 2009, most of bondholders exercised their early redemption option. The outstanding balance at June 30, 2010, and December 31, 2009, represented bonds in the nominal amount of RUR 7,169 and RUR 118,859 respectively. The bonds will mature on November 26, 2010.

Raiffeisenbank

In November 2009, the Group entered into a credit facility agreement in the amount of 5,000 thousand US dollars (RUR 155,977 at the exchange rate at June 30, 2010) bearing interest of LIBOR plus 8.50% per annum and maturing in May 2012. The credit facility is secured by a guarantee of Institut Stekla OJSC, a related party.

12. Income Tax

The major components of income tax expense for the six months ended June 30, 2010 were as follows:

	For the six months ended June 30, 2010	2009
	Unaudited	
Current income tax	(53,965)	(73,000)
Deferred income tax	8,216	(2,144)
Total income tax expense	**(45,749)**	**(75,144)**

13. Short-Term Debt

Short-term debt, at amortized cost, was as follows:

	June 30, 2010 Unaudited	December 31, 2009 Audited
Sberbank of Russia (Sberbank)	310,000	450,000
UniCredit Bank	240,000	–
MDM Bank	–	189,026
Bank Societe General Vostok (BSGV)	155,977	151,221
Credit Europe Bank	150,000	–
Alfa- Bank	–	120,000
Other short-term debt	–	43,859
	855,977	**954,106**
Current portion of long-term debt *(Note 11)*	168,925	214,813
Total short-term debt	**1,024,902**	**1,168,919**

Sberbank

In 2008, the Group entered into a number of credit facility agreements within the limit of the General Agreement in the total amount of RUR 450,000 bearing interest of 12.25% per annum and maturing from February to May 2009. During 2009, the credit facility agreements were renewed within the same limit bearing interest from 16.25% to 17.75% per annum and maturing from February to May 2010. In April 2010, the credit facility agreements were renewed within the same limit bearing interest from 10.75% to 11.50% per annum and maturing in February 2011. The credit facilities are secured by a pledge of restaurant equipment in Moscow with a carrying value of RUR 59,437. The credit facilities were fully utilised at December 31, 2009. The unutilised balance of credit facility amounted to RUR 140,000 as of June 30, 2010.

BSGV

In July 2008, the Group entered into a revolving credit facility agreement in the amount of 5,000 thousand US dollars (RUR 155,977 at the exchange rate at June 30, 2010) bearing interest from 6.80% to 8.00% per annum and maturing in January 2010. Then, the credit facility agreement was renewed within the same limit bearing interest of 6.40% per annum and maturing in October 2010. The credit facility was fully utilised at June 30, 2010.

Credit Europe Bank

In March 2008, the Group entered into a revolving credit facility agreement in the amount of 5,000 thousand US dollars bearing interest of 9.0% per annum and maturing in September 2008. In September 2008, the credit facility was renewed with the interest rate of 14.0% and due date of March 31, 2009. The debt was fully repaid in December 2009. In June 2010, the credit facility was renewed with the interest rate of 9.0% and due date of December 03, 2010.

UniCredit Bank

In April 2010, the Group obtained a credit facility in the amount of RUR 240,000 bearing interest of 10.00% per annum and maturing in April 2011.

14. Revenue

Revenue for the six months ended June 30 consisted of the following:

	For the six months ended June 30, 2010	2009
	Unaudited	
Revenue from restaurants	4,312,105	3,626,954
Revenue from canteens	127,255	145,977
Franchise revenue	122,320	88,051
Sublease services and other services	70,562	86,373
Sales of semi-finished products to franchisees	37,111	37,004
Other services	22,551	27,585
Total revenue	**4,691,904**	**4,011,944**

15. Cost of Sales

The following expenses were included in cost of sales for the six months ended June 30:

	For the six months ended June 30, 2010	2009
	Unaudited	
Food and beverages	1,104,716	920,078
Payroll and related taxes	986,848	839,380
Rent	737,665	666,733
Utilities	171,166	134,942
Restaurant equipment depreciation	167,419	167,107
Laundry and sanitary control	80,521	63,503
Materials	72,794	49,237
Maintenance and repair services	67,060	52,116
Other services	51,700	50,359
Sublease services	51,534	58,477
Franchising fee	31,849	23,948
Transportation services	23,131	21,669
Other expenses	21,897	23,325
Total cost of sales	**3,568,300**	**3,070,874**

16. Selling, General and Administrative Expenses

The following expenses were included in selling, general and administrative expenses for the six months ended June 30:

	For the six months ended June 30, 2010	2009
	Unaudited	
Payroll and related taxes	412,351	378,410
Advertising	98,715	54,360
Other services	39,565	35,660
Rent	33,954	54,432
Bank services	30,855	15,000
Depreciation and amortization	30,515	37,998
Utilities	16,039	17,627
Financial and legal services	12,718	15,845
Materials	10,255	7,826
Transportation services	8,784	9,560
Maintenance and repair services	1,727	7,449
Laundry and sanitary control	1,896	659
Other expenses	43,877	43,829
Total selling, general and administrative expenses	**741,251**	**678,655**

17. Commitments and Contingencies

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position or operating results.

Operating Lease Commitments

The Group has entered into a number of commercial lease agreements for its restaurants' premises. The nominal amounts of minimum rentals payable under the non-cancellable leases were as follows:

	June 30, 2010	December 31, 2009
	Unaudited	Audited
Within one year	1,054,059	1,206,527
After one year but not more than five years	2,443,953	2,973,410
More than five years	934,925	1,039,328
Total minimum rental payables	**4,432,937**	**5,219,265**

18. Share-Based Payments

On April 30, 2010 the Group adopted an incentive plan (the "plan") under which 26 executive employees (the "participants") were granted cash settled phantom share options (the "option"). The right to exercise the option occurs in three instalments of 1/3rd each and vests after 1, 2 and 3 years after the plan adoption. Each instalment is exercisable within 5 years upon vesting. Total number of the options granted is 223,000. Exercise price is 10.5 US dollars. The group intends to make use of its right to settle its obligation by issuance of treasury shares it holds for that purpose. The Group valued the options and the plan at the market price at the date of granting and did not revalue at June 30, 2010. The value of the plan is recognized in the financial statements during the vesting period.

The Group recognized the plan's effect as payroll expense of RUR 4,960 for the period from April 30, 2010 to June 30, 2010.

19. Subsequent events

On July, 2010 the Group fully repaid the loan from Saving Bank of the Russian Federation maturing in February, 2011 in the amount of RUR 10,000.

On August 23-24, 2010 the Group repaid ahead of schedule of payments the portion of loan from Saving Bank of the Russian Federation maturing in January – June, 2011 in the amount of RUR 411,389.