



**FOR IMMEDIATE RELEASE**

**RAMBLER MEDIA ANNOUNCES FINANCIAL RESULTS  
FOR FIRST HALF 2006**

**137% period on period increase in internet revenue  
Nearly 100% period on period increase in total revenue  
EBITDA\* positive at Group level for the first time for the period**

**Moscow, 26 September 2006** - Rambler Media Limited (RMG.LN), a leading integrated media company providing services to the global Russian-speaking community, today announced its financial results for the six months ended 30 June 2006.

**FINANCIAL HIGHLIGHTS**

- Total revenue up nearly 100% period on period to US\$ 16 million (US\$ 8 million)
- Internet total revenue up 137% to US\$ 12.3 million (US\$ 5.2 million), representing 78% of total Group revenue
- Group business profitable for first time in first half of the year with net profit of US\$ 2.5 million (net loss of US\$ 2.3 million)
- Strong balance sheet with US\$ 20 million of cash at period end

**OPERATING HIGHLIGHTS**

- Over 50% period on period increase in number of unique monthly users of Rambler.ru to over 21 million
- 80% increase in monthly page views to 1.5 billion
- More than 1.6 million Rambler-ICQ Instant messaging unique users per month in less than one year after the service was launched
- Acquisition of 51% of Price Express, a leading Russian price comparison internet company, operating [www.price.ru](http://www.price.ru), [www.domoteka.ru](http://www.domoteka.ru) and [www.tyndex.ru](http://www.tyndex.ru), enabling Rambler to expand its range of online services
- Exclusive partnership with Trader Media East Ltd for launch of online classifieds ads in Russia with leading newspaper Iz Ruk V Ruki
- Acquisition of 51% of online Russian social network [www.damochka.ru](http://www.damochka.ru) and 51% of online banner technology company Bannerbank
- Favourable market trends and new service launches provide support for anticipated continued growth in the rest of the year and beyond

\* Earnings before interest, tax, depreciation and amortisation

Irina Gofman, Chief Executive Officer of Rambler Media, commented: “Rambler Media reports its second consecutive profitable half year for the Group. Our growth continued to accelerate through the first six months of 2006, driven by the introduction of new innovative online services and increasing internet penetration in Russia. These solid results (+137% internet revenue period on period) reflect our continued focus on our internet business, now accounting for nearly 80% of our group revenue, and reinforce Rambler’s position as the number one multi-service internet portal for the Russian community. Our TV division continues to demonstrate strong sales growth and we have successfully adapted our strategy in our Mobile Content business to quickly reach profitability in the segment. We are confident that these favourable market trends will continue in the second half of the year and beyond.”

### FINANCIAL SUMMARY

(US\$ '000s)	<b>Jan - Jun 2006</b> (reviewed)	Jan – Jun 2005 (reviewed)	<b>Jan – Dec 2005</b> (audited)	Jan – Dec 2004 (audited)
Net sales	<b>15,117</b>	8,028	<b>21,421</b>	12,505
Other income	<b>684</b>	-	<b>515</b>	-
Total revenue	<b>15,801</b>	8,028	<b>21,936</b>	12,505
EBITDA* profit/(Loss)	<b>1,608</b>	(1,501)	<b>(568)</b>	(2,690)
Net profit/(loss)	<b>2,477</b>	(2,334)	<b>(2,384)</b>	(4,412)
Profit/(loss) per share - basic and fully diluted (US\$)	<b>0.16</b>	(0.16)	<b>(0.18)</b>	(0.41)
Profit/(loss) per share - fully diluted (US\$)	<b>0.16</b>	(0.15)	<b>(0.17)</b>	(0.41)

\* Earnings before interest, tax, depreciation and amortisation

## **Overview**

Rambler Media reported nearly 100% period on period increase in total revenue to US\$ 16 million for the first six months of 2006. This figure includes US\$ 0.68 million of income from Rambler's 25% stake in Begun.ru, paid search platform. The Group reported its first net profit for the period at US\$ 2.5 million (loss of US\$ 2.3 million in H1 2005). The ongoing investments in the operating businesses reflect Rambler Media's focus on increasing the penetration and market share of its brands, technologies, products and services.

## **Internet**

Rambler Internet reported a significant increase in EBITDA following strong period on period growth in the number of users and in advertising sales. The Internet segment's EBITDA reached US\$ 3.35 million in the first six months of 2006, up from US\$ 0.5 million in H1 2005. Total revenue in the Internet services division grew by 137% period on period from US\$ 5.2 million to US\$ 12.3 million and represented 78% of total Group revenue for the year.

### A leading Internet portal for the Russian community

Rambler Internet's primary business is Rambler.ru ([www.rambler.ru](http://www.rambler.ru)), a leading Russian language Internet portal offering search, communication and media services. It is complemented by a number of other web properties, including leading on-line Russian language newspaper Lenta.ru ([www.lenta.ru](http://www.lenta.ru)), which attracted an average of 2.7 million unique visitors per month in the first six months of the year, and several specialised web resources. Rambler Internet generates its revenues primarily from banner advertising, sponsored key word searches and e-commerce. Rambler Media has a 25% plus one share equity stake in Begun.ru, a fast growing Russian sponsored search company, and retains an option to increase its stake in Begun.ru in the future.

In the first half of 2006, Rambler.ru reached 21 million unique monthly users, up more than 50% from the 13.6 million users in the first half of 2005. This growth rate is well above the average 25% yearly increase in Russian Internet penetration, demonstrating the increased take-up and usage of Rambler and its growing market share. Today, 65% of all Russian internet users regularly visit Rambler.ru, making it one of the most visited internet site in Russia. Internet advertising is the fastest growing segment of the Russian advertising market and was estimated to have increased by 71% year on year in 2005 to US\$ 60 million (US\$ 35 million) (*Source: Russian Association of Communication Agencies - RACA*).

### Rambler-ICQ

One of Rambler's most successful recent projects has been its partnership with ICQ to offer instant messaging services. Before its partnership with Rambler, ICQ had 2 million users in Russia. Since Rambler-ICQ's launch at the end of 2005 and throughout the first half of 2006, ICQ has been used by 3.6 million users, of whom 1.6 million are active users via the Rambler-ICQ joint service (<http://icq.rambler.ru>). This means that one out of every 3 ICQ user in Russia has been using Rambler-ICQ less than a year after the service was launched, thus

nearly doubling the total number of ICQ users. Furthermore, Rambler-ICQ users have proven to be twice as active as average ICQ users. The appeal of Rambler-ICQ is that it integrates Rambler email services and provides access to Rambler's internet search engine and online games, as well as Russian-language news, weather forecasts and other useful information. In March 2006, the ICQ 2-Way SMS service was introduced to enable ICQ users to create and send SMS messages directly from their desktop to GSM users in the Russian Federation and allow the mobile recipient to reply back directly to the ICQ user. Instant Message Forwarding also allows ICQ users to forward their instant messages via SMS directly to their mobile phone and reply back directly to the sender.

#### Acquisitions and Partnerships

In January, Rambler Media bought 51% of Price Express, a leading e-commerce internet company operating the portals price.ru ([www.price.ru](http://www.price.ru)), Domoteka.ru ([www.domoteka.ru](http://www.domoteka.ru)) and Tyndex.ru ([www.tyndex.ru](http://www.tyndex.ru)). The portals provide price and product comparison tools designed to help online shoppers make the most cost-effective buying decisions. Price Express has a database of 40 million priced items, offering consumers one of the largest and quickest buying choices in the Russian internet market. Over 1 million shoppers visited Price Express's websites every month in the period.

In April, Rambler Media entered into an exclusive partnership with Trader Media East Limited, a leader in classified advertising, to create a co-branded website which will give Rambler.ru customers access to online classified content in Russia. Trader Media East's operation in Russia & CIS, better known for its local brand 'Iz Ruk v Ruki', produces 144 publications, totaling 75 million ads per year and 3.8 million readers per week. The website [www.irr.ru](http://www.irr.ru) aggregates content from publications in 81 cities and 4 other websites and employs state-of-the-art technology with over 1.4 million ads of content. Through the launch of a new co-branded website, Iz Ruk v Ruki private and professional customers will be able to distribute their ads through Rambler to maximise the effectiveness of their advertising and to access Rambler's numerous online properties and services. The new service will also enable Rambler's users to search through the biggest database of classified ads from all regions of Russia.

In June, Rambler Media announced its intention to acquire Damochka.ru ([www.damochka.ru](http://www.damochka.ru)) and BannerBank from eHouse Holding. Damochka.ru is a leading Russian language, social network, and personal ads website with over 1.7 million registered users. Dating and social networking is proving very popular in Russia and the acquisition reinforces Rambler's position as the number one multi-service internet portal for the Russian community. BannerBank operates a Virtual Banner Network (VBN), one of Russia's most sophisticated banner exchange networks, which optimises online advertising campaigns and provides detailed information about the impact of banner advertising. It generates approximately 130 million banner views per day. The acquisition of 51% of each business was completed by Rambler in July.

#### Other new services

In the first half of 2006, Rambler launched a specific page for its users located in

the United States. Rambler users in the US, estimated at more than 0.6 million for Rambler.ru, are now able to view more US-specific search and news results when accessing Rambler.ru's main page from North America. This reflects Rambler Media's strategy to explore further opportunities for American advertisers to target the US Russian speaking community and benefit from higher advertising prices in the United States, a more mature market than Russia.

New game services were recently introduced as part of Rambler.ru's main portal, including multiplayer and skill games. This is in addition to Rambler's new online gaming portal ([www.ramblas.ru](http://www.ramblas.ru)), which has been developed in partnership with St Minver and is still in Beta version before its official launch.

#### Internet outlook

Market trends remain favourable, with the number of Internet users in Russia forecast to increase by approximately 29% year on year in 2006 according to the Ministry of Informatisation and Communication. The internet advertising market is expected to grow by 65% to 70%, according to the Russian Association of Communication Agencies. The value of the Internet access and data transmission services markets is forecast to grow by 33% year on year to US\$ 2 billion in 2006 according to Jason and Partners, whilst the total value of B2C product and service transactions was estimated to have increased by 35% to US\$ 1.5 billion in 2005. Rambler Internet is well positioned to benefit from this growth due to its established brand, large and growing market share, and its wide range of existing and new services. *(Source: Russian Association of Communication Agencies (RACA), J'son & Partners, Ministry of Communications, National Association of Electronic Commerce)*

#### **Mobile**

At the beginning of the year, Rambler Media rebranded SMXCOM as 'Rambler Mobile', creating better association with Rambler Internet.

Sales of Mobile VAS reached US\$ 1.3 million (US\$ 1.9 million) in the first half of 2006, and accounted for 8% of Group revenues in the period (23% of Group revenues in H1 2005), clearly demonstrating the Group's increased focus on its core Internet activities.

The mobile content sector (SMS, MMS and premium SMS content) in Russia has grown at a slower pace than initially forecast by market sources, up 21% in 2005 to US\$ 350 million (from US\$ 290 million) (Source: Jason and Partners Russian Wireless Content Report 2005-2007). Due to the slower growth and the increased competition in the mobile content market in Russia, the Group has adapted Rambler Mobile's business model to be increasingly focused on a revenue sharing model in order to avoid incurring direct advertising costs.

In the period, Rambler Mobile reported an EBITDA loss of US\$ 0.3 million, nearly reaching breakeven point. Rambler Mobile continued to invest in the development and marketing of its mobile content brands and its relationships with Mobile TeleSystems, VimpelCom and Megafon in Russia, which together account for approximately 90% of mobile subscribers.

90% of Rambler Mobile's sales are generated from in-house developed SMS-based products and the Company also has licensing agreements with third party providers of content such as ring tones, icons, screen savers and games. Revenues are generated from a share of the fixed fees paid by subscribers to their network provider for the download of Rambler Mobile products.

New services have recently been launched including Interactive Voice Retrieval (IVR) services, on line / offline interactive mobile games, and ICQ 2-way SMS. Further integration with Rambler web properties is reflected in such projects as dating, photo and video, and horoscopes.

Rambler Mobile plans to be in the position to offer mobile users a wide range of premium rate voice and SMS services at competitive rates and thereby increase revenue and improve profitability. Rambler Mobile further expects to benefit from enhanced mobile phone capabilities and deployment of new cellular technologies, as well as closer integration with other Rambler Media owned companies by adding and integrating mobile content to existing products, programming and services.

### **Television**

Sales generated by Rambler TV grew by 129% period on period to US\$ 2.2 million from less than US\$ 1 million in the first half of last year, and represented 14% of Group revenues in the period. Revenues are primarily generated from the sale of advertising airtime, as well as 'below the line' advertising. The division reported an EBITDA loss of US\$ 1.4 million from a loss of US\$ 1.3 million in the first half of 2005.

Rambler TV is a free-to-air documentary and entertainment channel, which holds a national broadcasting license in Russia and reaches 40 million people through a network of 900 local affiliate stations broadcasting in 470 towns and cities across Russia. 30% of the content is produced by Rambler Media. The channel's core target audience is 25-45 year-old adults, which is the most economically active segment of the population. Research by TNS Gallup Media in July 2005 demonstrated that Rambler TV reaches consumers who have higher than average education.

The gross TV Advertising market grew by 35% year on year in 2005 to US\$ 2.3 billion, and accounted for 47% of total Russian gross advertising spend during the period (*Source: Russian Association of Communication Agencies (RACA)*). Rambler TV's national share of viewing amongst the total universe of viewers between the age of 6 and 54 grew by 26% from 0.34% in first half 2005 to 0.43% in the first half 2006, including growth in the Saint Petersburg's station share from 1.56% to 1.9%. Rambler TV has also continued to invest in increasing its national penetration, which rose by 38% from 24% to 33% for the period. (*Source: TNS Gallup Media, April-June 2006*)

## **FINANCIAL POSITION**

The Company ended the period with cash balances of US\$ 20 million.

## **RECENT DEVELOPMENTS**

Rambler Media expects to benefit from the Russian Federation Government's new TV advertising law introduced by the State Duma, which reduced the allowable advertising airtime for the major TV channels with effect from July 1, 2006. Prices of TV advertising on the leading channels are expected to increase as a result of the new legislation, which may encourage advertisers to seek alternative marketing channels, such as smaller TV networks and online media.

At an Extraordinary General Meeting of shareholders held in Jersey on 7 July, Mr. Alexander Rappoport, Mr. Oleg Edward Radzinsky and Mr. Vitaly Rudenko were appointed as new Non-executive Directors of the Company and Dr. Valentin Zorin resigned from the Board of Directors. However, Dr. Zorin continues in his position as chairman of Rambler Media's advisory panel.

Also during the Summer, Rambler signed an agreement with Fast Search & Transfer ASA (FAST) to deploy the FAST Enterprise Search Platform (FAST ESP) across its Internet business. This will provide Rambler with improved technological modules in order to expand Rambler's proprietary search engine capabilities. The first phase of implementation of the FAST upgrade will take place in the second half of the year.

Finally, Rambler has acquired 26% of Chess Planet, which operates the portal with the same name: ([www.chessplanet.ru](http://www.chessplanet.ru)) with the intention to launch a joint website that will allow Rambler users to play virtual chess on the Rambler web portal. Chess Planet is an international Russian-language online club where chess enthusiasts can play chess, improve their skills, as well as train other players. 715,000 games were played on Chess Planet in the last months, twice as many as at the start of 2006, and Chess Planet visitors spend an average of 2 to 3 hours a day on the portal.

## **OTHER INFORMATION**

The Company's consolidated accounts have been prepared according to International Financial Reporting Standards (IFRS). The following preliminary financial information has been approved for release by the company's auditors.

The company will host a conference call to present the results at 5:00 pm (Moscow Time) / 3:00 pm (CET) / 2:00 pm (London Time) / 9:00 am (New York Time) today. The results statement and related documentation are available on Rambler Media's website at [www.ramblermedia.com](http://www.ramblermedia.com). To participate in the conference call, please register online at [www.sharedvalue.net/ramblermedia/hy2006](http://www.sharedvalue.net/ramblermedia/hy2006). The number for the conference call will be available upon registration.

**For further information, please visit [www.ramblermedia.com](http://www.ramblermedia.com) or contact:**

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#### **ABOUT RAMBLER MEDIA**

**Rambler Media is an integrated and diversified Russian language media, entertainment, services and content delivery company with three main segments: internet services, mobile value added services, and television broadcasting. Rambler Media operates businesses including the Russian language internet portal and search engine 'rambler.ru', on-line newspaper 'Lenta.ru', broadband ISP 'Rambler Telecom', interactive advertising company 'Index20', mobile content service provider 'Rambler Mobile', and documentary and entertainment TV network 'Rambler TV'. Rambler Media's shares are traded on the AIM market of the London Stock Exchange under the symbol 'RMG'. For more information on Rambler Media, visit our corporate website at [www.ramblermedia.com](http://www.ramblermedia.com).**

Certain statements within this announcement constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Company to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulations, and court interpretations of such regulations, currency fluctuations (including the US\$/Rbs rate), competition, changes in development plans. There can be no assurance that the results and events contemplated by the forward looking statements contained in this announcement will, in fact, occur. Any forward looking statements made in this announcement represent management's best judgment as to what may occur in the future and are correct only as at the date of this announcement. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this announcement except as required by applicable law or by any applicable regulatory authority.

**INTERIM SUMMARISED CONSOLIDATED PROFIT & LOSS ACCOUNT**  
**(US \$'000s)**

	<b>Notes</b>	<b>1 January 2006 to 30 June 2006 (reviewed)</b>	<b>1 January 2005 to 30 June 2005 (reviewed)</b>
Revenue	9	15,117	8,028
Other income	9	684	-
Total Revenue		15,801	8,028
Operating expenses	10	(14,946)	(10,178)
<b>Operating profit/(loss)</b>		<b>855</b>	<b>(2,150)</b>
Interest income		569	-
Interest expense		(7)	(62)
Share of loss of associate		-	(14)
<b>Profit/(loss) before taxation</b>		<b>1,417</b>	<b>(2,226)</b>
Taxation		1,060	(50)
<b>Profit/(loss) for the period</b>		<b>2,477</b>	<b>(2,276)</b>
<b>Attributable to</b>			
- equity holders of the company		2,407	(2,334)
- minority interest	12	70	58
		<b>2,477</b>	<b>(2,276)</b>
<b>Earnings per share for profit/(loss)</b>			
<b>attributable to the equity holders of the</b>			
<b>company, expressed in cents per share</b>			
<b>- basic</b>	13	<b>16</b>	<b>(16)</b>
<b>- diluted</b>	13	<b>16</b>	<b>(15)</b>

The accompanying notes are an integral part of this profit and loss account.

**INTERIM SUMMARISED CONSOLIDATED BALANCE SHEET**  
**(US \$'000s)**

	Notes	30 June 2006 (reviewed)	31 December 2005 (audited)
<b>Assets</b>			
Non Current Assets			
Property, plant and equipment	6	4,090	3,815
Intangible assets	7	17,903	15,770
Financial assets	8	778	778
		<u>22,771</u>	<u>20,363</u>
Current Assets			
Trade debtors		4,868	3,690
Inventory		436	367
Prepayments		851	392
VAT, net		439	558
Other receivables		1,665	861
Bank and cash balances		19,967	21,482
		<u>28,226</u>	<u>27,350</u>
<b>Total assets</b>		<b><u>50,997</u></b>	<b><u>47,713</u></b>
<b>Liabilities</b>			
Current Liabilities			
Trade creditors		2,882	1,213
Deferred income		880	829
Loans		15	10
		<u>3,777</u>	<u>2,052</u>
Long Term Liabilities			
Loans		131	131
Deferred taxation		649	1,726
		<u>780</u>	<u>1,857</u>
<b>Total liabilities</b>		<b><u>4,557</u></b>	<b><u>3,909</u></b>
<b>Shareholders' equity</b>			
Issued capital	13	151	150
Share premium		56,039	55,902
Options reserve		429	341
Merger reserve		51	51
Accumulated losses		(10,256)	(12,663)
<b>Total shareholders' equity</b>		<b><u>46,414</u></b>	<b><u>43,781</u></b>
<b>Minority interest</b>	11	26	23
<b>Liabilities and Shareholders' Equity:</b>		<b><u>50,997</u></b>	<b><u>47,713</u></b>

The accompanying notes are an integral part of this balance sheet.  
These financial statements were approved by the Directors on 25th September 2006.

**INTERIM SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(US \$'000s)**

	<b>1 January 2006 to 30 June 2006 (reviewed)</b>	<b>1 January 2005 to 30 June 2005 (reviewed)</b>
<b>Cash flows from operating activities</b>		
Operating result	2,406	(2,334)
Adjusted for:		
Minority interest	70	58
Interest receivable	(569)	-
Interest charged	7	62
Dividends receivable	(684)	-
Taxation charge	(1,060)	50
Cost of share options exercised	88	58
Depreciation and amortisation	754	649
Loss on disposal of fixed assets	-	-
Increase in debtors and receivables	(2,274)	(2,652)
Increase/(decrease) in creditors & payables	1,416	2,569
Taxation paid	(12)	-
<b>Net cash used in operating activities</b>	<b>142</b>	<b>(1,540)</b>
<b>Cash flows from investing activities</b>		
Purchase of subsidiary	(1,708)	-
Purchase of property, plant and equipment	(866)	(678)
Acquisition of intangibles	(288)	(449)
Investments	-	(792)
<b>Net cash used in investing activities</b>	<b>(2,862)</b>	<b>(1,919)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	-	-
Repayment of long-term borrowings	(10)	(1,035)
Proceeds of equity financing	138	27,780
Dividends received	515	-
Interest received	569	-
Interest paid	(7)	-
<b>Net cash from financing activities</b>	<b>1,205</b>	<b>26,745</b>
<b>Net Increase in cash</b>	<b>(1,515)</b>	<b>23,286</b>
Cash at the beginning of the period	21,482	6,783
<b>Cash at the end of the period</b>	<b>19,967</b>	<b>30,069</b>

**INTERIM SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY (US \$'000s)**

	Attributable to equity holders of the company					Total equity
	Issued capital (Note 15)	Additional capital/share premium (Note 15)	Options reserve	Merger reserve	Accum. losses	
<b>1 January 2005 (audited)</b>	<b>120</b>	<b>29,703</b>	<b>260</b>	<b>51</b>	<b>(10,279)</b>	<b>19,855</b>
Share capital issued	30	30,720	-	-	-	30,750
Cost of share capital issued		(4,521)	-	-	-	(4,521)
Cost of share option	-	-	94	-	-	94
Loss for the period	-	-	-	-	(2,543)	(2,543)
Minority interest					(58)	(58)
<b>30 June 2005 (reviewed)</b>	<b>150</b>	<b>55,902</b>	<b>354</b>	<b>51</b>	<b>(12,764)</b>	<b>43,693</b>
Cost of share option	-	-	(13)	-	-	(13)
Profit for the period	-	-	-	-	66	66
Minority interest					35	35
<b>31 December 2005 (audited)</b>	<b>150</b>	<b>55,902</b>	<b>341</b>	<b>51</b>	<b>(12,663)</b>	<b>43,781</b>
Share capital issued	-	-	-	-	-	-
Exercise of share options	1	137	-	-	-	138
Cost of share option	-	-	88	-	-	88
Profit for the period	-	-	-	-	2,477	2,477
Minority interest					(70)	(70)
<b>30 June 2006 (reviewed)</b>	<b>151</b>	<b>56,039</b>	<b>429</b>	<b>51</b>	<b>(10,256)</b>	<b>46,414</b>

## NOTES (US \$'000s)

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### 1. Rambler Companies and Principal Activities

Rambler Media Limited was incorporated in Jersey on 10 June 2004 as a private limited company. It was formed to act as a holding vehicle for the media interests controlled by First Mercantile Net Ventures Fund Ltd. During the year ended 31 December 2004, the directors of Rambler decided to seek a listing on the London AIM market. In anticipation of this event the status of the company was changed to that of a public limited company on 18 October 2004. The Initial Public Offering took place on 15 June 2005.

The Rambler Group provides a diversified and integrated Russian language media, entertainment and content service with operations in three main segments: Internet services, Mobile Value Added Services and Television Broadcasting.

Rambler Media Limited has its registered office at First Island House, Peter Street, St. Helier, Jersey JE2 4SP. Its principal place of business is 26 Leninskaya Sloboda Ulitsa, Moscow, Russian Federation.

### 2. Principal Accounting Policies

#### a) Basis of preparation

The interim financial statements have been prepared in accordance with the accounting policies set out in the Group's financial statements for the year ended December 2005. The interim financial statements are unaudited but have been reviewed by the auditors.

The Group's financial report including financial statements and notes thereto is prepared in compliance with IAS 34 (Interim Financial Reporting). The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006:

Amendment to IAS 19, 'Actuarial gains and losses, group plans and disclosures', This interpretation is considered by the Directors to be not relevant for the Group;

Amendment to IAS 21, Amendment 'Net investment in a foreign operation', This amendment is considered by the Directors to be not relevant for the Group;

Amendment to IAS 39, Amendment 'Cash flow hedge accounting of forecast inter-group transactions', This amendment is considered by the Directors to be not relevant for the Group;

Amendment to IAS 39 and IFRS 4, Amendment 'Financial guarantee contracts', . This amendment is considered by the Directors to be not relevant for the Group;

IFRS 6, 'Exploration for and evaluation of mineral resources',. This standard is considered by the Directors to be not relevant for the Group;

IFRIC 4, 'Determining whether an arrangement contains a lease', This interpretation is considered by the Directors to be not relevant for the Group;

IFRIC 5, 'Rights to interests arising from decommissioning, restoration and environmental

rehabilitation funds', . This interpretation is considered by the Directors to be not relevant for the Group; and

IFRIC 6, 'Liabilities arising from participating in a specific market - waste electrical and electronic equipment', This interpretation is considered by the Directors to be not relevant for the Group.

b) **Basis of consolidation**

The financial statements consist of Rambler Media Limited (the Company) and its respective subsidiary undertakings (the Group). On the acquisition of a business, including an interest in a subsidiary undertaking, fair values are attributed to the Group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

**3. Turnover**

All proceeds are receivable in the ordinary course of business and are recorded exclusive of Value Added Tax.

**4. Seasonality of the business**

Interim operations are subject to regular seasonal reduction of all lines of business in January of each year due to the Russian Federation national holidays. The significant reduction in January turnover indices in comparison with December figures occurs annually.

**5. Labour costs**

The Group has measured the expected cost of and obligation for accumulated compensated vacation reserve up to 30 June 2006 at USD 272 thousand, including all applicable social taxes at the estimated average annual effective tax rate.

## 6. Leasehold Improvements and Equipment

	Leasehold improvements	Office equipment	Television equipment	Vehicles	Total
<b>Cost</b>					
31 December 2004	516	3,293	1,391	4	5,204
Additions	17	641	20	-	678
Disposals	-	(41)	-	-	(41)
30 June 2005	533	3,893	1,411	4	5,841
Additions	8	944	90	-	1,042
On acquisition of subsidiary	8	30	176	-	214
Disposals	-	(22)	(51)	-	(73)
31 December 2005	549	4,845	1,626	4	7,024
Additions	41	792	33	-	866
On acquisition of subsidiary	67	21	-	-	88
Disposals	-	-	-	-	-
30 June 2006	<b>657</b>	<b>5,658</b>	<b>1,659</b>	<b>4</b>	<b>7,978</b>
<b>Accumulated Depreciation</b>					
31 December 2004	194	955	427	2	1,578
Charge	35	366	93	1	495
Disposals	-	(1)	-	-	(1)
30 June 2005	229	1,320	520	3	2,072
Charge	160	743	227	1	1,161
On acquisition of subsidiary	1	2	26	-	29
Disposals	-	(23)	-	-	(23)
31 December 2005	390	2,042	773	4	3,209
Charge	36	442	166	-	644
On acquisition of subsidiary	28	7	-	-	35
Disposals	-	-	-	-	-
30 June 2006	454	2,491	939	4	3,888
<b>Net book amount</b>					
<b>30 June 2006</b>	<b>203</b>	<b>3,167</b>	<b>720</b>	<b>-</b>	<b>4,090</b>
<b>31 December 2005</b>	<b>159</b>	<b>2,803</b>	<b>853</b>	<b>-</b>	<b>3,815</b>

## 7. Intangible Assets

	Domain and trade names	Broadcast network	Software and other intangibles	Goodwill	Total
<b>Cost</b>					
<b>31 December 2004</b> (audited)	985	8,572	480	571	10,608
<b>30 June 2005</b> (reviewed)	985	8,572	428	571	10,556
<b>31 December 2005</b> (audited)	931	13,626	642	571	15,770
<b>30 June 2006</b> (reviewed)	935	13,684	782	2,502	17,903

## 8. Financial Assets

	1 January 2006 to 30 June 2006 (reviewed)	1 January 2005 to 30 June 2005 (reviewed)
ZAO Begun	771	771
Other	7	7
<b>Total</b>	<b>778</b>	<b>778</b>

In December 2004 the Company entered into an agreement with the then shareholders of ZAO Begun to purchase 25% plus 1 share of ZAO Begun for \$750,000 and an option to purchase an additional 25% of the shares. The purchase was completed in March 2005 but the option has yet not been exercised. The majority shareholder of ZAO Begun has an option to sell an additional 50% minus 1 share in the event that the Company exercises the option. The Company spent an additional \$21,000 on completing the transaction.

Dividends are declared by ZAO Begun based on profits generated and not at any set rate.

ZAO Begun is treated as an investment as the Company has no significant financial or operational influence over the company. Dividend income received from ZAO Begun is included in other income.

It is not practical to determine the fair value of this investment, other than to state that fair value is believed by management to significantly exceed the cost at which the investment is included in these financial statements due to the dividends received to date and therefore it is not possible to forecast dividend yield from the Company.

## 9. Revenue and Other Income

Revenue is comprised:

	<b>1 January 2006 to 30 June 2006 (reviewed)</b>	<b>1 January 2005 to 30 June 2005 (reviewed)</b>
Internet	11,639	5,198
Television	2,154	962
Mobile Value Added Services	1,324	1,868
	<u>15,117</u>	<u>8,028</u>
	<b>1 January 2006 to 30 June 2006 (reviewed)</b>	<b>1 January 2005 to 30 June 2005 (reviewed)</b>
Barter included in revenue:	<u>514</u>	<u>-</u>
Other income – dividends from ZAO Begun	<u>684</u>	<u>-</u>
Interest income	<u>569</u>	<u>-</u>

Periodically, the Company engages in barter transactions for marketing or other services. Barter revenue (revenue from advertising time provided in exchange for services) is recognized only if the services received are of a dissimilar nature and if the revenue has economic substance and can be reliably measured. Exchanges of similar advertising services are not recognized as revenue.

Revenue from barter transactions is recognized at the fair value of services received, adjusted by the amount of any cash transferred.

If Rambler Companies enter into a barter transaction where dissimilar advertising services are exchanged then revenue is measured at the fair value of the advertising services provided, in accordance with Standing Interpretations Committee ("SIC") 31 "Revenue – Barter Transactions Involving Advertising Services".

## 10. Operating expenses

Operating expenses comprise:

	<b>1 January 2006 to 30 June 2006 (reviewed)</b>	<b>1 January 2005 to 30 June 2005 (reviewed)</b>
Labour	6,494	4,324
Content and transmission	1,569	885
Commissions and partner fees	2,031	2,143
Management charge	-	-
Rent	552	429
Legal and professional	1,055	438
General expenses	671	325
Share Options	88	58
Depreciation	645	546
Amortisation	109	103
Marketing and advertising	1,356	368
Other	376	559
<b>Total Operating expenses</b>	<b>14,946</b>	<b>10,178</b>

## 11. Segmental Information

The segmental results for the six months ended 30 June 2006 are as follows:

	<b>Internet Services</b>	<b>TV</b>	<b>Mobile VAS</b>	<b>Total</b>
Total Revenue	12,323	2,154	1,324	15,801
Operating expenses and overheads	(9,391)	(3,813)	(1,742)	(14,946)
Net profit/(loss) before interest, tax and minority interest	<b>2,932</b>	<b>(1,659)</b>	<b>(418)</b>	<b>855</b>

The segmental results for the six months ended 30 June 2005 are as follows:

	<b>Internet Services</b>	<b>TV</b>	<b>Mobile VAS</b>	<b>Total</b>
Total Revenue	5,198	962	1,868	8,028
Operating expenses and overheads	(5,012)	(2,514)	(2,652)	(10,178)
Net profit/(loss) before interest, taxation and minority interest	186	(1,552)	(784)	(2,150)

## 12. Minority interest

	<u>Total</u>
As at 1 January 2006	23
Arising on purchase of Price.ru	(111)
Purchase of minority interest of Infoproject	44
Share of results of OOO Business-Studio for the six months 2006 (49%)	(4)
Share of results of Price.ru for the six months 2006 (49%)	74
As at 30 June 2005	<u>26</u>

## 13. Profit and loss per Share

Profit/(loss) per share has been calculated as follows:

	<u>2006</u>	<u>2005</u>
Net profit/(loss)	2,407	(2,334)
Issued shares	<u>15,017</u>	<u>14,976</u>
<b>Profit/(loss) per share</b>	<b><u>USD 0.16</u></b>	<b><u>USD (0.16)</u></b>

Fully diluted profit (loss) per share has been calculated as follows:

Net profit/(loss)	2,407	(2,334)
Issued shares	15,017	14,976
Shares over which options have been issued	<u>343</u>	<u>315</u>
	<u>15,360</u>	<u>15,291</u>
<b>Fully diluted profit/(loss) per share</b>	<b><u>USD 0.16</u></b>	<b><u>USD (0.15)</u></b>
Weighted average number of basic and diluted shares	<b>14,966</b>	<b>13,611</b>

#### 14. Share Capital

The share capital of the Company at the balance sheet date expressed in USD (not thousands) is comprised as follows:

	<u>2006</u>	<u>2005</u>
Authorised ordinary shares of USD 0.01 each (20 million shares)	<u>200,000</u>	<u>200,000</u>
Issued and fully paid share capital ordinary shares of USD 0.01 each	<u>150,165</u>	<u>149,757</u>

#### 15. Acquisitions

##### Price.ru

In January 2006, the Company acquired a 51% interest in Price Express, a leading Russian price comparison internet company.

#### 16. Post Balance Sheet Events

Purchase of Damochka.ru and BannerBank

On 18 July 2006 the Group executed a share sale and purchase agreement with eHouse Holding for the purchase of 51% of a leading Russian social network internet company Damochka.ru and 51% of the online banner exchange company BannerBank. The Group retains the option to acquire the remaining 49% of both companies for three months.