AFIDEVELOPMENT

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19 November 2008

AFI DEVELOPMENT PLC
RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

AFI Development PLC ("AFI Development"/ the "Company"), the leading developer of multi-purpose properties in Moscow, the Russian regions and the CIS, has today announced its financial results for the first nine months ending 30 September 2008.

Financial Highlights

- Net profit for the nine months ending 30 September 2008 at US$ 28 million, down 67% compared to US$ 85.2 for the same period of 2007, negatively affected by the loss in the third quarter of US$ 69.3 million
- Profit before tax for the nine months ending 30 September 2008 at US$ 35.7 million, down 65% compared to US$ 103.6 for the same period of 2007
- Revenue for the first months ending 30 September 2008 at US$ 21.7 million, up 258% compared to US$ 6 million for the same period of 2007
- Third quarter revenue at US $9.1 million
- Strong liquidity position comprising US$ 569 million of cash on balance sheet as at 30 September
- Board has decided to pay out an interim dividend for a total amount of US$ 200 million

Q3 2008 Operational Highlights

- Construction of core projects remains on schedule
- General slowdown in rental demand due to current market conditions but good conversion rates achieved in our commercial projects from Letters of Intent (LOIs) to preliminary leasing agreements for the shopping centers
- Significant slowdown in residential sale of apartments since June 2008 with only a small number of deals concluded in the third quarter
- Four Winds I and the Botanic Gardens projects revalued resulting in a net US$ 47 million reduction to third quarter profit

Strategic review

- Short- to medium-term focus on completing 3 core projects under construction - Mall of Russia (Moscow City), Tverskaya Zastava Shopping Center, and Ozerkovskaya (Phases II and III)
- Core projects are fully funded through existing equity and debt
- Commencing active development of projects in the pre-construction phase only when market conditions have stabilized
- Availability of financing and strength of demand in each market segment among the foremost criteria in assessing further development action
- Securing of necessary permits for projects, such as Kuntsevo, in the early development stage to continue

Commenting on today's announcement, Alexander Khaldey, Chief Executive of AFI Development, stated:

"As a consequence of the continued and significant deterioration in the global financial markets, we have seen a considerable slowdown in demand for real estate assets in Russia in the third quarter of this year. This slowdown is more severe in the residential sector, while demand remains for our core commercial and retail projects. We have responded to these market conditions by assuming a prudent approach to our development strategy and refocusing on the completion of our three core projects, which we expect to start generating stable cash-flow for the Company within the medium term. Despite the current scarcity of funding in Russia, our strong financial position which ensure that we are well placed to continue with the development of some of Moscow's largest and most unique projects, whilst retaining flexibility to start active development of the remainder of our portfolio when market conditions improve. We believe that the fundamentals of supply and demand for quality real estate in Russia remain unchanged and look forward to taking full advantage of future opportunities in our markets."

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About AFI Development

AFI Development is the leading developer of unique large-scale projects in Moscow, the Russian regions and the CIS. Established in 2001, AFI Development focuses on developing and redeveloping high quality commercial and residential real estate assets including offices, shopping centers, hotels, mixed-use properties, and residential projects. The Company's strategy is to sell the residential properties it develops and to either lease the commercial properties or sell them for a favourable return.

In May of 2007, AFI Development was successfully admitted to the Main Market of the London Stock Exchange. Through its IPO the Company raised a total of US$ 1.4 billion. AFI Development delivers shareholder value through a commitment to innovation and continuous project development, coupled with the highest standards of design, construction, quality and customer service.

Chairman's & Chief Executive's Statement

We have witnessed a significant downturn in the Russian real estate sector throughout the third quarter as a direct result of the global financial crisis. Despite this, however, we were able to record positive revenues for the quarter of US $9.1 million, and total nine month revenues of US$ 21.7 million, compared to US$ 6 million for the same period of 2007. We also continue to maintain a strong liquidity position, with US$ 569 million of cash on balance sheet as at 30 September 2008.

As a result of the current market conditions, we have today announced that we have refocused our development strategy to concentrate on our three core projects under construction: Mall of Russia (Moscow City), Tverskaya Zastava Shopping Center, and Ozerkovskaya (Phases II and III). These key projects are all based in Moscow, which we believe will recover faster than other Russian and CIS regions, and are all at an advanced stage of development. Concentrating on these projects that are fully funded through combination of debt and equity is intended to ensure a stable cash-flow position for the Company until the markets stabilize. Although these development schemes will form the basis of our current construction projects, we will also continue to add value to our portfolio by progressing the necessary pre-construction permits at developments such as Kuntsevo, so that we are able to capitalize on our position when market conditions improve.

In light of our reduced development commitments over the next 18 months, the Board has also decided to pay out an interim dividend to shareholders for a total aggregate amount of US $200 million to be paid by the end of 2008. Our cash and cash equivalents greatly outweigh short term liabilities and the Board believes that such a payment will allow us to return these unused funds to our shareholders, as part of our overall commitment to providing shareholder value.

It is our view that the fundamentals of supply and demand for quality real estate in Russia remain solid in a medium to long term and that we have reacted promptly to the changes in our market over the last quarter. We believe that our prudent approach will enable AFI Development to not only withstand the current crisis, but to emerge from it an even stronger player in the Russian real estate market.

Results:

AFI Development recorded a 258% increase in revenues to US$ 21.7 million in the first nine months of this year compared to the same period of 2007 (US$ 6 million) with third quarter revenue contributing US$ 9.1 million to this figure.

As a result of the significant change in our market environment in the third quarter, our total profit before tax for the nine months to 30 September 2008 amounted to US$ 35.7, representing a decrease of 65% on the comparable figure of US$ 103.6 in 2007.

Correspondingly, our net profit for the nine month period was down 67% to US$ 28 million compared to the same period last year, driven by the loss in the third quarter of US$ 69.3 million. This was driven to a large extent by the net negative adjustments in the third quarter totaling US$ 47 million as a result of the revaluation of our Four Winds I and Botanic Gardens projects.

Nevertheless, we maintained our strong liquidity position with cash and cash equivalents on our balance sheet at US$ 569 million as at 30 September, which puts us in a strong position to continue with the development of our core projects.

Strategic Update:

In response to the current challenging market environment, we are proactively reviewing our operating approach in the short to medium term and refocusing on landmark projects under development until market conditions stabilize.

We have strategically reviewed our portfolio and have divided it into three main categories: (1) yielding projects and projects under construction; (2) projects in a pre-construction phase; (3) projects in an early development stage. For each of the categories above we have defined a clear operating strategy to ensure optimal use of resources and long-term value creation.

In the first category, we are maintaining focus on our three key projects under construction, Mall of Russia (Moscow City), Tverskaya Zastava Shopping Center and Ozerkovskaya (Phases II and III), which are fully funded through a combination of equity and project debt. These projects form the core of our portfolio, representing approximately a third of the NAV as of 30 June 2008, and are at an advanced stage of development. Our primary focus will, therefore, be on the successful execution of these core projects, with the aim of their generating stable cash-flows for the Company within the short to medium term, until the markets stabilize.

With respect to the second category of projects (e.g. Otradnoe, Botanic Gardens), which are projects at the pre-construction stage, our strategy is to commence active development only when we are able to re-evaluate the expected income streams from such projects, in line with market conditions. The merits of further development will be assessed depending foremost on our ability to secure the necessary funding either by significant pre-sales for residential projects or through access to external financing at acceptable terms for commercial projects.

Whilst we continue to see major opportunities in the real estate markets of Moscow, the Moscow region and other areas of the CIS in the medium to long term, the realisation of these opportunities as part of our strategy will be dependent on the improvement in conditions in both global and local financial markets. Decisions on whether and when to move ahead with each project in this category of our development portfolio will be evaluated on a case-by-case basis.

In light of the challenging funding environment and scarcity of bank loans, we are also proactively evaluating the possibility of forming strategic partnerships on a project level, as well as the possible divestment of completed projects, in line with our strategy of redeploying capital.

With respect to the third category of projects, we will continue with our efforts of adding value to our various projects and land bank by securing the necessary permits for such projects, which are in the early development stage (e.g. Kuntsevo). This process is not capital intensive and will contribute to increasing the value of our land bank, making sure AFI Development is well positioned to benefit from stabilization in market conditions once this occurs.

Human Resources:

Our Company has achieved tremendous growth since its inception in 2001 and especially post its IPO in May 2007. Correspondingly, we significantly expanded our professional teams during this period in line with the number of projects in our pipeline and to secure access to the best available individuals who were scarce in the local market. In light of having to refocus our strategy, we have regrettably been forced to reduce our headcount to adapt to the new environment.

Liquidity:

We have completed the third quarter with a strong liquidity position comprising US$ 569 million cash on our balance sheet as at 30 September 2008. This is due to the Company’s ability to balance liquidity from a number of sources, including cash proceeds from the IPO and sales of completed projects, as well as bank loans such as over US$ 414 million of additional project financing from Russia’s VTB Bank (“VTB”). Since the start of the period, we have paid out approximately US$ 200 million to cover our short term obligations of maturing corporate facility to Deutsche Bank.

As a result of our refocused strategy for our development projects, the revised estimated CAPEX requirements over the next 18 months will be as follows:

Project	CAPEX for the next 18 months	Total CAPEX	Secured Funds Balance
Mall of Russia	US$ 251.2 million	US$ 251.2 million	US$ 282 million (VTB facility balance)
Tverskaya Zastava	US$ 129.4 million	US$ 208.6 million	US$ 219 million (Sberbank facility balance)
Ozerkovskaya	US$ 54 million	US$ 101.6 million	US$ 81 million (from residential presales not including US$ 207 million from the disposal of Aquamarine II)
Total	**US$ 434.6 million**	**US$ 561.4 million**	**US$ 582 million**

Having taken into consideration that (i) our three core projects under construction are fully funded by an existing combination of debt and equity; (ii) our cash and cash equivalents greatly outweigh our short term liabilities; and (iii) we do not expect to make any significant acquisitions in the short to medium term, the Board has decided to pay out an interim dividend to shareholders for a total amount of US $200 million to be paid by the end of 2008. The payment is part of our commitment to delivering shareholder value and will release unused funds from the balance sheet.

Russia's integration in the world economy means that the international liquidity crisis is having a major impact in our market as elsewhere. Management's experience of operating in such economic cycles ensures that there is a proactive and prudent response by taking the necessary steps to face these challenges and that we are relatively well positioned within our sector to deal with its challenges. In our view, the Russian economy will continue to grow and the fundamentals of supply and demand for quality real estate have not changed. When more stable conditions return to the market we will take full advantage of them in order to deliver value to all our shareholders.

Valuation Update:

In line with our conservative approach, we have taken a decision to revalue two of our portfolio properties, Four Winds I and Botanic Gardens, in conjunction with our third quarter 2008 financial results to accurately reflect their book values on our balance sheet.

Our Four Winds I project was previously recorded on our balance sheet as of 30 June 2008 at market value based on the external valuation performed by JLL. However, we felt that the recent changes in market conditions were significant enough to warrant a new valuation.

In addition, we screened our portfolio for uncompleted projects under development whose book values are likely to have been negatively impacted by the deterioration in market conditions, resulting in the revaluation of the Botanic Gardens project.

As a result of the independent valuation from Jones Lang LaSalle ("JLL"), we have recorded a decrease in the market value of Four Winds I of US$ 27.3 million and of Botanic Gardens of US$ 26.5 million leading to negative post-tax adjustments to our P&L account of US$ 20.4 million and US$ 26.5 million, respectively. This has reduced our profit for the third quarter of 2008 by a total of US$ 46.9 million.

The decrease in the value of Four Winds I is due to the softening of the yields. The decrease in the value of the Botanic Gardens project is due to a combination of factors, including the reduced selling price and revision of the completion schedule.

Core Projects Update:

Mall of Russia (Moscow City)

With over 180,000 sqm of retail and leisure space in one of the largest squares in Moscow located in the heart of the "Moscow City" district, the Mall of Russia remains Russia's largest real estate development project surrounded by 1.25 million sqm of high-quality office space being developed, the construction of which remains on schedule for completion by the end of 2009.

- Approximately 40% of the GLA is covered by LOIs and preliminary leasing agreements. The lower than expected letting progress is due to significantly lower level of demand caused by current market conditions although good conversion rates from LOIs to preliminary leasing agreements have been experienced
- Over 30% of the previously signed LOIs have been converted into preliminary leasing agreements covering 12% of the GLA and representing US$22.4 million in net operating income (NOI). As of today, we have collected approximately US$ 8 million from our future tenants in security deposits
- Average triple net rental rate achieved under the signed contracts of US$ 2,083 per sqm, or US$ 4,135 per sqm excluding anchor tenants
- Construction financing secured, but credit line terms may be renegotiated due to current market conditions, potentially resulting in interest rate increases and/or a decrease in the total credit line amount

Tverskaya Shopping Center

Tverskaya Shopping Center is the largest underground shopping mall in Moscow situated at a central square currently being transformed by AFI Development to achieve over 450,000 sqm of gross leasable/sellable area across seven mixed-use commercial and residential developments. The construction of the shopping center remains on track for completion by the end of 2010.

- Over 30% of the previously signed LOIs have been converted into preliminary leasing agreements covering 6% of the GLA representing US$ 0.95 million in NOI
- Significantly lower level of demand due to current market conditions, but good conversion rates from LOIs to preliminary leasing agreements
- Construction financing secured, but credit line terms may be renegotiated due to current market conditions, potentially resulting in interest rate increases and/or a decrease in the total credit line amount

Four Winds II

The Four Winds II project forms part of the Tverskaya Zastava Square development in central Moscow. The residential part of the project remains under construction and is on track for completion by the end of 2008.

- Significant slowdown in the apartment sales since June 2008 with only a small number of deals concluded in the third quarter of 2008
- The remainder of the apartments are currently being marketed at between US$12,000 and US$25,000 per sqm

Ozerkovskaya Phase II

The residential element of the Ozerkovskaya project comprises 114 apartments of the business class standard within 17,982 sqm of gross saleable area and 401 underground parking places, all of which remain on track for completion by the end of 2008.

- Significant slowdown in the apartment sales since June 2008 with only a small number of deals concluded in the third quarter of 2008

- The remainder of the apartments are currently being marketed at between US$12,000 and US$16,500 per sqm

The hotel element of the project comprises an 8-storey building with a total area of 11,130 sqm, providing four star accommodation with a capacity of 156 rooms and 31 underground car parking places. The hotel is on track for completion by the end of 2008 with the start of operations targeted for the first half of 2009. The hotel will be operated by Africa Israel Hotels Ltd.

- Financing in place as a result of earlier divestment of the Aquamarine I and II projects and the support of the strategic partner in the development

Ozerkovskaya Phase III

Phase III of the Ozerkovskaya Embankment development is a multifunctional complex which includes a Class A office building with a 44,151 sqm of gross leasable area and 48 business class residential apartments. The complex has two underground levels with 706 parking places. The project remains on track for completion.

- Financing in place as a result of earlier divestment of the Aquamarine I and II projects and the support of the strategic partner in the development
- Pre-leasing underway but the limited visibility at present with no signed agreements to date

Market Overview:

Since reporting our first half results in August, the economic environment in Russia, and globally, has continued to deteriorate with an expectation that the year ahead is likely to remain extremely challenging.

The fall in world demand for commodities has resulted in a reduction of capital inflows into Russia at both a state and corporate level resulting in an even greater focus on Moscow. Coupled with the increasing cost of capital, the consumption levels of both private and corporate entities have been reduced.

According to the Ministry for Economic Development's report in August 2008, the real income received by Muscovites has decreased compared to last year. The Russian State Statistics Board ("Rosstat") has also reported that the level of Foreign Direct Investment into the country fell by almost 30% this year.

The real estate sector is naturally sensitive to consumer behavior and with strong market expectation that rental rates and sales will continue to decrease as demand falls, real estate capital and risk have been fundamentally re-priced for the foreseeable future. We have seen that many property developers are looking to sell completed projects in order to fund more viable developments. Credit remains scarce and very expensive and there are currently a limited number of prospective buyers to restore balance, especially in light of tougher mortgage applications, declining employment and reduced spending. Furthermore, a substantial proportion of real estate developers are over leveraged and facing increasing uncertainty as to their ability to repay existing loans.

The withdrawal of investment financing has resulted in a freezing up of the development landscape with the majority of construction projects being halted or abandoned outright. The absence of investment deals across all segments of the real estate market will inevitably compound the accumulating shortage of space.

Leasing activity and the net absorption of space has continued to fall although the operating fundamentals for high quality, established properties remains positive. The demand for prime real estate has not diminished, just the ability of consumers to finance the purchases. However, we anticipate that once market conditions stabilize there will be an upswing in demand as investors look for undervalued and attractively priced assets. As supply will remain limited, this should see an increase in property prices and valuations.

Retail Real Estate

Despite a significant increase in the supply of quality shopping centers over the past few years, we anticipate that demand for space will continue, as although retailers will be negatively impacted by the financial crisis in the short-term, there are still a number of new entrants to the market. Whilst there will be continued pressure on rental levels over the next 12 months, the sector will benefit from a number of cancelled developments, which will restrict supply.

Office Real Estate

We anticipate that the demand for office space will continue to decline through the fourth quarter and into the first quarter 2009 as companies delay their expansion plans. However, although the majority of the development projects at the planning stage will be postponed, the bulk of projects at an advanced stage of construction will be completed. The past few years have seen vacancy rates consistently lower than those in Western Europe and CEE as the supply of high quality office space has not kept pace with demand. Whilst vacancy rates are likely to increase through the first half of 2009, we expect to see this improve in the latter half of 2009 as the effects of the rent corrections begin to filter through. This is especially true in the Moscow market.

Residential Real Estate

The residential market has been particularly negatively affected by the current financial crisis as stricter lending criteria and reductions in consumer spending have seen new purchases all but cease. It is therefore difficult to predict how badly the residential sector will be affected by the downturn. Within the Moscow market, we anticipate that there could be noticeable price corrections across the sector. However, looking ahead to the end of 2009, prices in the high-end residential segment are likely to increase as the supply and demand for properties in this area will remain imbalanced.

Outlook:

Despite poor visibility across the Russian real estate markets and their dependence on external factors such as the global financial and macroeconomic environment, we expect the current difficult market conditions to prevail throughout most of 2009.

Continued decline in demand across all market segments will inevitably result in lower rental and sales prices, whilst the volume of supply should remain negatively affected by significantly reduced development activity and delays to the completion of active projects among all major developers.

Nevertheless, long-term supply and demand indicators point to the general strength of the fundamentals of the Russian real estate market, which should ensure faster recovery when it occurs compared to other European markets.

Mr. Leviev, Chairman **Mr. Khaldey, Chief Executive Officer**

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2008 to 30 September 2008

AFI DEVELOPMENT LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2008 to 30 September 2008

C O N T E N T S

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Independent report on review of condensed consolidated interim financial information to the members of AFI DEVELOPMENT PLC

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of AFI Development PLC as at 30 September 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes (interim financial information). The Company's Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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 information 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 financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

KPMG

Chartered Accountants

Nicosia, 18 November 2008

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period from 1 January 2008 to 30 September 2008

	1/1/08-30/9/08 US$ '000	1/1/07-30/9/07 US$ '000
Revenue		
Construction consulting/management services	1,463	2,229
Rental income	20,190	3,825
	21,653	6,054
Other income	125	62
Operating expenses	(7,323)	(3,529)
Administrative expenses	(12,866)	(5,889)
	1,589	(3,302)
Profit on disposal of investments in subsidiaries	249	-
Impairment loss of investment property under development	(26,547)	-
Valuation gains on investment property	37,929	50,561
Results from operating activities	13,220	47,259
Finance income	27,276	57,292
Finance expenses	(4,788)	(959)
Net finance income	22,488	56,333
Profit before income tax	35,708	103,592
Income tax expense	(7,710)	(17,679)
Profit from continuing operations	27,998	85,913
Loss from discontinued operations (net of income tax)	-	(747)
Profit for the period	27,998	85,166
Attributable to:		
Equity holders of the Company	27,343	85,327
Minority interest	655	(161)
Profit for the period	27,998	85,166
Earnings per share		
Basic earnings per share (cent)	5.22	17.76
Diluted earnings per share (cent)	5.22	17.72
Continuing operations		
Basic earnings per share (cent)	5.22	17.92
Diluted earnings per share (cent)	5.22	17.88

The notes on pages 6 to 14 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2008 to 30 September 2008

	Attributable to the equity holders of the Company					Minority Interest	Total
	Share capital	Share premium	Translation reserve	Retained earnings	Total		
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2007	424	421,325	6,047	175,745	603,541	-	603,541
Issue of share capital	100	1,337,129	-	-	1,337,229	-	1,337,229
Profit for the period	-	-	-	85,327	85,327	(161)	85,166
Share option expense	-	-	-	496	496	-	496
Translation adjustments	-	-	(6,709)	-	(6,709)	-	(6,709)
Effect of acquisition of a subsidiary	-	-	-	-	-	369	369
Balance at 30 September 2007	524	1,758,454	(662)	261,568	2,019,884	208	2,020,092
Balance at 1 January 2008	524	1,763,933	8,490	393,004	2,165,951	379	2,166,330
Profit for the period	-	-	-	27,343	27,343	655	27,998
Share option expense	-	-	-	1,870	1,870	-	1,870
Realised translation difference on disposal of subsidiaries	-	-	(2,415)	-	(2,415)	-	(2,415)
Effect of acquisition of subsidiary	-	-	-	-	-	831	831
Translation adjustments	-	-	(26,983)	-	(26,983)	6	(26,977)
Balance at 30 September 2008	524	1,763,933	(20,908)	422,217	2,165,766	1,871	2,167,637

The notes on pages 6 to 14 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2008

	Note	30/9/08 US$ '000	31/12/07 US$ '000
Assets			
Investment property	5	241,483	287,865
Investment properties under development	6	1,411,756	1,062,545
Property, plant and equipment		41,160	45,563
Long-term loans receivable		5,844	4,396
VAT recoverable		35,213	19,889
Goodwill		150	150
Total non-current assets		1,735,606	1,420,408
Trading properties under construction	7	206,527	172,177
Inventory		104	39
Short-term loans receivable		5,815	4,498
Trade and other receivables	8	243,493	234,795
Cash and cash equivalents		568,908	812,373
Total current assets		1,024,847	1,223,882
Total assets		2,760,453	2,644,290
Equity			
Share capital		524	524
Share premium		1,763,933	1,763,933
Translation reserve		(20,908)	8,490
Retained earnings		422,217	393,004
Total equity attributable to equity holders of the Company	9	2,165,766	2,165,951
Minority interest		1,871	379
Total equity		2,167,637	2,166,330
Liabilities			
Long-term loans and borrowings	10	198,843	72,877
Deferred tax liability		34,723	50,893
Total non-current liabilities		233,566	123,770
Short-term loans and borrowings	10	132,633	259,072
Trade and other payables	11	197,802	83,816
Income tax payable		4,438	4,404
Deferred income		24,377	6,898
Total current liabilities		359,250	354,190
Total liabilities		592,816	477,960
Total equity and liabilities		2,760,453	2,644,290

The condensed consolidated interim financial statements were approved by the Board of Directors on 18 November 2008.

The notes on pages 6 to 14 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January 2008 to 30 September 2008

	Note	1/1/08-30/9/08 US$'000	1/1/07-30/9/07 US$'000
Cash flows from operating activities			
Profit for the period		27,998	85,913
Adjustments for:			
Depreciation		6,362	495
Interest income		(26,030)	(28,923)
Interest expense		1,854	959
Share option expense		1,870	496
Profit on disposal of investments in subsidiaries		(249)	-
Fair value adjustment	5, 6	(11,382)	(50,561)
Unrealised loss on foreign exchange		3,025	-
Loss from sale of property, plant and equipment		43	361
Income tax expense		7,710	17,679
		11,201	26,419
Increase in trade and other receivables		(11,491)	(21,408)
Increase in inventories		(28)	(234)
Increase in trading properties under construction	7	(31,631)	(13,020)
Decrease in assets held for sale		-	3,441
Increase in trade and other payables	11	113,124	38,032
Increase in deferred income		19,142	4,215
		100,317	37,445
Income taxes paid		(10,837)	(4,046)
Net cash flow from operating activities		89,480	33,399
Cash flows from investing activities			
Interest received		25,457	26,133
Proceeds from sale of investments in subsidiaries		93,222	137,760
Net cash outflow from the acquisition of subsidiaries		(149,752)	(437,033)
Proceeds from sale of property, plant and equipment		32	12
Increase in advances to builders	8	(1,662)	(88,650)
Payments for acquisition of investments		-	(35,414)
Payments for investment properties under development	6	(248,379)	(113,226)
Prepayments for investment properties under development		-	(75,162)
Increase in VAT recoverable		(13,641)	(6,837)
Payments for acquisition of property, plant and equipment		(1,891)	(1,621)
Net cash flow from investing activities		(296,614)	(594,038)
Cash flows from financing activities			
Proceeds from issuance of shares and listing of GDRs		-	1,337,229
Payments for loans receivable		(2,387)	(4,961)
Proceeds from repayment of loans receivable		56	4,587
Proceeds from loans and borrowings		227,606	219,048
Repayment of loans and borrowings		(216,479)	(24,211)
Interest paid		(20,103)	(5,212)
Net cash flow from financing activities		(11,307)	1,526,480
Effect of exchange rate fluctuations		(25,024)	(9,583)
(Decrease)/increase in cash and cash equivalents		(243,465)	956,258
Cash and cash equivalents at 1 January		812,373	26,272
Cash and cash equivalents at 30 September		568,908	982,530
The cash and cash equivalents consist of:			
Cash at banks		568,899	982,521
Cash in hand		9	9
		568,908	982,530

The notes on pages 6 to 14 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2008 to 30 September 2008

1. INCORPORATION AND PRINCIPAL ACTIVITY

AFI Development PLC (the "Company") was incorporated in Cyprus on 13 February 2001 as a limited liability company under the name Donkamill Holdings Limited. In April 2007 the Company was transformed into public company and changed its name to AFI Development PLC. The address of the Company's registered office is 25 Olympion Street, 3035 Limassol, Cyprus. The Company is a 71.70% indirect subsidiary of Africa Israel Investments Group which is listed in the Tel Aviv Stock Exchange (TASE). The 9.7% of its share capital is held by Nirro Group S.A. and the remaining shareholding is held by a custodian bank in exchange for the GDR's issued and listed in the London Stock Exchange.

The condensed consolidated interim financial statements of the Company for the period from 1 January 2008 to 30 September 2008 comprise of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The principal activity of the Group is real estate investment and development.

The principal activity of the Company is the holding of investments in subsidiaries and joint ventures.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2008 to 30 September 2008

5. INVESTMENT PROPERTY

	30/9/08 US$ '000	31/12/07 US$ '000
Balance 1 January	287,865	-
Transfer from investment properties under development	-	77,133
Additions due to acquisition of subsidiary	28,181	-
Fair value adjustment	37,929	201,908
Disposal	(107,668)	-
Effect of movement in foreign exchange rates	(4,824)	8,824
Balance 30 September/ 31 December	241,483	287,865

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser twice a year having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The last valuation took place on 30 June 2008 except of the Four Winds project which was also revalued on 30 September 2008. The current period revaluation was also based on the selling price of the building "Aquamarine II".

Investment property comprises of the building H_2O which is part of the Paveletskaya development, the building situated at 71 Bolshaya Gruzinskaya street which is part of the Four Winds project and a complex of buildings in Kislovodsk used as a sanatorium which is part of the Kislovodsk project.

During the 2nd quarter of 2008 the Company sold its interest in Aquamarine II office building. Aquamarine II formed part of the Company's Ozerkovskaya Embankment project, Phase II in the Central Administrative District of the City of Moscow. The project comprised of 16,372 sq. m. of built up facilities (12,678.5 sq. m. of gross lettable area). The Company had entered into a sale and purchase agreement with the buyer. The sale price for Aquamarine II was US$207 million at an implied exit yield of 6.8%. The building was fully let to a single tenant; the overall rental revenue under the existing lease agreement was US$14 million per annum. AFI Development PLC's interest in Aquamarine II was 50%. The remaining 50% belonged to a non-related third party, which was the Company's partner in Phases II and III of the Ozerkovskaya Embankment project.

6. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	30/9/08 US$ '000	31/12/07 US$ '000
Balance 1 January	1,062,545	370,316
Additions due to acquisitions of subsidiaries	124,484	621,139
Construction costs	248,379	198,098
Capitalised interest	9,727	10,435
Transfer from property, plant and equipment	-	343
Transfer to investment property	-	(77,133)
Transfer to trading properties under construction (note 7)	-	(63,708)
Impairment loss	(26,547)	(1,151)
Effect of movements in foreign exchange rates	(6,832)	4,206
Balance 30 September/31 December	1,411,756	1,062,545

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2008 to 30 September 2008

7. TRADING PROPERTIES UNDER CONSTRUCTION

	30/9/08 US$ '000	31/12/07 US$ '000
Balance 1 January	172,177	91,064
Construction costs	31,631	11,749
Capitalised interest	3,941	5,418
Transfer from investment property under development (note 6)	-	63,708
Effect of movements in exchange rates	(1,222)	238
Balance 30 September / 31 December	206,527	172,177

8. TRADE AND OTHER RECEIVABLES

	30/9/08 US$ '000	31/12/07 US$ '000
Advances to builders	137,315	135,653
Amounts receivable from related companies	88	383
Prepayments for acquisition of investments	37,285	34,355
Deferred expenditure	5,298	5,298
Trade receivables	867	1,290
Other receivables	54,590	48,217
VAT recoverable	6,753	9,262
Tax receivables	1,297	337
	243,493	234,795

Prepayments for acquisition of investments

Includes US$26,108 thousand prepaid for the acquisition of 100% shareholding of OOO Pikerton and JSC WTIC Mercury and US$11,177 thousand prepaid for the acquisition of 100% shareholding of OOO Avtograd.

9. SHARE CAPITAL AND RESERVES

Share Capital	30/9/08 US$ '000	31/12/07 US$ '000
Authorised		
1,000,000,000 shares of US$0.001 each	1,000	1,000
Issued and fully paid		
523,847,027 shares of US$0.001 each	524	524

Share premium

It represents the share premium on the shares issued on 31 December 2006 for the conversion of the shareholders' loans to capital US$421,325 thousand. It also includes the share premium on the issued shares which were represented by GDRs listed in the LSE in 2007. It is the result of the difference between the offering price, US$14, and the nominal value of the shares, US$0.001, after deduction of all listing expenses. An amount of US$1,399,900 thousand less US$57,292 thousand transaction costs was recognised during the year 2007.

9. SHARE CAPITAL AND RESERVES (continued)

Employee Share option plan

The Company has established an employee share option plan which is operated by the Board of Directors. Eligible are employees and directors, excluding independent directors, of the Company and employees and directors of the ultimate holding company, Africa Israel investments Ltd and its subsidiaries. The employees share option plan is discretionary and options will be granted only when the Board so determines at an exercise price derived from the closing middle market price preceding the date of grant.

Options over 2,788,308 GDRs were granted up to 30 September 2008 to Russian and Israeli employees and directors with an exercise price of US$14 vesting one-third on the second anniversary of the date of grant, a further one-third on the third anniversary and the remaining one-third, on the fourth anniversary of the date of grant provided that the participants remain in employment until the vesting date. The contractual life is ten years.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to the Group presentation currency.

Retained earnings

The amount at each reporting date is available for distribution. No interim dividends were proposed, declared or paid during the nine-month period ended 30 September 2008. An interim dividend however was approved by the board on 18 November 2008 as detailed in note 14 “Post Balance Sheet Events”

10. LOANS AND BORROWINGS

	30/9/08 US$ ’000	31/12/07 US$ ’000
Long-term loans		
Secured bank loans	166,927	16,155
Unsecured loan from shareholder	-	316
Unsecured loans from other related companies	-	3,177
Secured loan from non-related company	30,299	51,700
Unsecured loans from non related company	1,617	1,529
	198,843	72,877
Short-term loans		
Secured bank loans	93,544	231,311
Unsecured loan from joint venture	5,159	3,890
Unsecured loans from other related companies	-	609
Secured loan from non-related company	20,000	10,000
Unsecured loans from other non related companies	13,930	13,262
	132,633	259,072

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2008 to 30 September 2008

10. LOANS AND BORROWINGS (continued)

There were no significant movements of loans and borrowings during the period apart for the following:

(i) Long term secured bank loans include a non-revolving credit line which was obtained from Sberbank for US$280 million during the year ended 31 December 2007. Up to 30 September 2008 US$60,367 thousand (31/12/07 US$16,101 thousand) were drawn. The funds drawn under the credit line are being used to finance the construction of the Tverskaya Zastava Shopping Centre project. This credit line carries interest of 4.25% above 6 months USD LIBOR. The credit line is secured by a pledge over 51% of the shares in the asset company, a lien over the development rights regarding the Tverskaya Zastava shopping mall project, and a mortgage over the shopping mall and its parking when completed. As from 2nd October 2008 interest rate of Sberbank loan granted to Tverskaya Zastava Shopping Centre project was increased to 8% above 6 months USD LIBOR.

(ii) Long term secured bank loans also include a non-revolving credit line which was obtained from VTB Bank for RUR 8,448 million on 28 August 2008. Up to 30 September 2008 Tranche 1 for the amount of RUR 1,680 million, equivalent to US$68 million, were drawn at 14,25% interest rate (rouble terms) and Tranche 2 for the total amount of RUR 6,768 million equivalent to US$274 million, carrying interest of 13,75% (rouble terms). The funds drawn under the credit line are being used to finance the construction of the Moscow-City Mall project. The credit line is secured by a pledge over 100% of the shares of Bellgate Constructions Limited, a lien over 75% of the development rights regarding the project, and a mortgage of commercial spaces when completed. AFI Development's guarantee is one of the elements of collateral for this credit line.

(iii) Long term secured bank loans include a new facility from Citibank N.A obtained for the refinance of the acquisition of the aircraft for US$40 million on 17 April 2008. This loan carries interest at an annual rate of 1.55% above USD LIBOR. The credit line is secured by a mortgage of the aircraft.

(iv) Long term secured loans represent loan from a non-related party, Quasar Capital Limited, with Deutsche Bank London Branch acting as a facility agent. According to the loan agreement dated 13 February 2006 the total amount of the loan granted was US$60 million, it carries interest at an annual rate of 2.4% above 6 months USD LIBOR and will be paid in fixed instalments with the last being on 12 February 2011. US$20,000 thousand (31/12/07 US$10,000 thousand) are payable within the next twelve months. The full amount of the loan is guaranteed by Africa Israel Investments Ltd, registered in Israel, which is the ultimate shareholder of the Company.

(v) Short term secured loan from Deutsche Bank, London Branch, amounting to US$200 million granted to the Company during the year ended 31 December 2007 was fully repaid during August 2008.

(vi) Short term secured bank loans include a new non-revolving credit line which was obtained from MDM Bank for US$16,7 million during the period ended 30 September 2008. The funds drawn under the credit line are being used to finance the construction of the Four Winds project. This credit line carries interest of 12% annually (dollar terms). Starting from 30 September 2008 the interest rate was increased by the bank to 20% annually (dollar terms).

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2008 to 30 September 2008

10. LOANS AND BORROWINGS (continued)

(vii) Short term secured bank loans also include a non-revolving credit line which was obtained from MDM Bank for EURO 36 million during the period ended 31 December 2007. The funds drawn under the credit line are being used to finance the construction of the Four Winds Project. This credit line carries interest of 12% and 14% annually (euro terms). Starting from 30 September 2008 interest rate was increased by the bank to 20% annually (euro terms).

(viii) Short term secured bank loans include a non-revolving credit line which was obtained from VTB Bank for RUR 1,488 million on 1 August 2008. This credit line carries interest of 12.4 % (rouble terms).

11. TRADE AND OTHER PAYABLES

	30/9/08 US$ ’000	31/12/07 US$ ’000
Down payments received for sale of flats	67,192	37,089
Trade payables	1,903	1,171
Payables to related parties	3,108	491
Amount payable to builders	15,645	14,706
VAT and other taxes payable	2,220	968
Down payments received for construction projects	9,841	15,742
Other payables	97,893	13,649
	197,802	83,816

Other payables

Include an amount of $2,607 thousand for the acquisition of Eitan Ltd together with its Russian subsidiaries, part of Kislovodsk project. The amount is owed to Africa Israel Hotels Limited. They also include an amount of $93,150 thousand payable to the 50% partner of the joint venture Krown LLC, which was disposed during the second quarter.

12. FINANCIAL RISK MANAGEMENT

The Group’s financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2007 apart from the following:

Since the reporting of the Group’s first half results in August, the economic environment in Russia, and globally, has worsened and the next few months are likely to be extremely challenging. The fall in world demand for commodities has resulted in a reduction of capital inflows into Russia at both state and corporate level. Coupled with the increasing cost of capital, the consumption levels of both private and corporate entities have been reduced.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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12. FINANCIAL RISK MANAGEMENT (continued)

The real estate sector is naturally sensitive to consumer behavior and with strong market expectation that rental rates and sales will continue to decrease as demand falls, real estate capital and risk have been fundamentally re-priced for the foreseeable future. Many property developers are looking to sell projects in order to fund more viable developments. Credit remains very expensive and scarce and there are currently not enough prospective buyers to restore balance, especially in light of tougher mortgage applications, declining employment and reduced spending. Furthermore, a substantial proportion of real estate developers are over leveraged and facing increasing uncertainty as to their ability to repay existing loans.

The withdrawal of investment financing has resulted in a seizing of the development landscape with the majority of construction projects being halted or abandoned outright. The absence of investment deals across all segments of the real estate market will inevitably compound the accumulating shortage of space.

Leasing activity and the net absorption of space has continued to fall although the operating fundamentals for high quality established properties remains positive. The demand for prime real estate has not diminished, just the ability for consumers to finance the purchases. However, it is anticipated that once market conditions stabilise there will be an upswing in demand as investors look for undervalued and attractively priced assets.

In response to the current challenging market environment for all participants, the Company is refocusing its operating approach in the short and medium term until there is a return to stability in market conditions.

The Company has strategically reviewed its portfolio and has divided it into 3 main categories: (1) yielding projects and projects under construction; (2) projects in pre-construction phase; (3) projects in early development stage. For each category above a different operating strategy will apply to ensure optimal uses of resources and long-term value creation.

13. GROUP ENTITIES

During the period ended 30 September 2008 the Group acquired the following subsidiaries:

100% of Occuper Holdings Ltd, a Cypriot company, which owns 100% shareholding of OOO Adnera, registered in Russia. OOO Adnera holds ownership rights in real estate required for the Phase III of the Bolshaya Pochtovaya project in Moscow.

100% of OOO AFI RUS SM, registered in the Russian Federation.

24% additional interest in the share capital of OOO Bizar, registered in the Russian Federation. The Company acquired during 2007 50% shareholding in OOO Bizar, therefore it currently holds a total of 74%.

13. GROUP ENTITIES (continued)

50% of Noana Limited and 100% of Eitan Cyprus Limited, Cypriot companies, that hold investment in four properties located in the Caucasian Mineral Springs area, in the Kislovodsk region, in the southern part of the Russian Federation.

100% shareholding of AFI Ukraine Limited, a Cypriot company, and LLC “AFI DS-1”, LLC “AFI DS-2”, LLC “AFI DS-3” and LLC Bundikom-Ukrane, registered in Ukraine. These companies are the owners of the Boryspol project in the vicinity of Kiev international airport.

40% additional shareholding of Krusto Enterprises Ltd. The Company acquired during 2007 60% shareholding in Krusto Enterprises Ltd, as a result, the Company will currently hold 50% in ZAO Kama Gate, registered in the Russian Federation.

During the year ended 31 December 2007 the Group acquired or incorporated the following subsidiaries:

100% of ZAO Armand, OOO Volga StroyInkom Development, OOO Volga Land Development, OOO Semprex, OOO OlympProject, OOO North Investments and OOO StroyInkom- Realt all of which are registered in the Russian Federation.

60% of Krusto Enterprises Ltd, which is registered in Cyprus. Krusto Enterprises Ltd, together with a Russian partner, have established ZAO Kama Gate in the Russian Federation, as a joint venture with each owning 50% of its share capital.

50% of OOO Bizar, registered in the Russian Federation.

100% of Keyiri Trading & Investments Limited, a Cypriot company that holds 100% of OOO Favorit. OOO Favorit, a Russian registered entity, holds 76% interest in the land plot on which the St. Petersburg project will be located. 100% of OOO KO Proekt, subsidiary of Buildola Properties Limited which acquired 76% shareholding of OOO KO Development that will develop the St. Petersburg project. The remaining 24% of KO Development is currently held by the Group’s local partner in St. Petersburg.

90.17% participatory interest in the charter capital of ZAO Nedra Publishing, which holds ownership rights to buildings required for the completion of the Tverskaya Zastava Plaza II project.

100% shareholding of OOO Titon and ZAO UMM Stroyenergomekhanizatsiya, registered in the Russian Federation. Both entities own a number of long-term lease agreements with Moscow government for land plots needed for the completion of Kossinskaya project. Both companies were acquired through Rognerstar Finance Limited a Cypriot newly registered company which was incorporated during the year and is owned 100% by the Company.

100% of Hermielson Investments Limited, a Cypriot company, that holds 100% shareholding of ZAO Firm Gloria, registered in the Russian Federation.

100% shareholding of Bundle Trading Limited, a Cypriot company, that acquired 98.6% shareholding of ZAO MTOK, registered in the Russian Federation.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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13. GROUP ENTITIES (continued)

90% shareholding of Bioka Investments Limited, a Cypriot company, which acquired 100% shareholding of OOO Nordservis, registered in the Russian Federation. OOO Nordservis is a co-investor to an investment agreement between the Moscow Government and a third party for the construction of a multi-purpose botanic gardens complex located in Moscow.

95% shareholding of Beslaville Management Ltd, a Cypriot company, which owns 100% shareholding of OOO Zheldoruslugi, registered in Russia. OOO Zheldoruslugi is the owner of properties, land and buildings, situated in Moscow, which are required for the completion of the Tverskaya Zastava Plaza IV project. In addition, the Company has concluded an agreement to buy out the remaining 5% in Beslaville Management Ltd at the pre-agreed price of US$1,424 thousand per each additional 1% interest in the company.

100% shareholding of LL Avia Management S.A., a BVI company, which is the owner of an aircraft.

14. SUBSEQUENT EVENTS

Subsequent to 30 September 2008 there were no material events which would have a significant impact on the understanding of the financials statements as at 30 September 2008 apart from the following:

During the meeting on the 18 November 2008 the Board of Directors resolved that an interim dividend of an aggregate gross amount of US$200 million on the ordinary share capital of the Company resulting in an interim dividend of US$ 0.3817 per ordinary share, or US$ 0.3817 per GDR payable on to shareholders entered in the register of members of the Company at the close of business on 28 November 2008, such dividend to be paid on or before 3 December 2008.