17 November 2009

AFI DEVELOPMENT PLC

RESULTS FOR THE NINE MONTHS TO 30 SEPTEMBER 2009

AFI Development PLC (“AFI Development”/“the Company”), a leading real estate company focused on developing property in Russia and the CIS, has today announced its financial results for the quarter ended 30 September 2009.

Financial Highlights:

- Profit before tax for the nine months to 30 September 2009 increased to US$285 million from US$35.7 million for the same period in 2008. Profit before tax in the third quarter of 2009 was US$7.8 million compared to a loss before tax of US$74.1 million in the third quarter of 2008.
- Net profit for the nine months to 30 September 2009 was US$217.1 million compared to US$28 million for the nine months to 30 September 2008 with US$1.9 million achieved in the third quarter against a net loss of US$69.1 million in same period of 2008.
- Third quarter revenues increased by 48% to US$17.2 million compared to US$9.1 million in the same period of 2008. Total year-to-date revenues reached US$47 million compared to US$21.7 million for the same period of 2008.
- Our profit for the period results from the cumulative effect of Jones Lang LaSalle’s (“JLL”) valuation of some of our investment properties and investment properties under development whose value materially fluctuated in the first two quarters of 2009. Based on JLL’s review of our portfolio of investment properties and investment properties under development, as of 30 September 2009, and following relative stabilization on the Moscow real estate market, no changes were recorded to their book values.
- We have obtained a refinancing loan for our Four Winds office building, in which we hold a 50% stake, from the Russian MDM Bank totaling US$150 million repayable in 8 years.
- Cash and cash equivalents increased from 30 June 2009 and remain solid with US$164.2 million as at 30 September 2009. Our cash position is expected to increase further thanks to the proceeds of the sales of Kossinskaya and the MDM Bank loan.

Third quarter 2009 Operational Highlights:

- Continued progress in leasing activity for the Mall of Russia development with further non-binding memoranda of understanding converted to lease agreements resulting in circa 35% fully pre-let with an additional 30% to 35% covered by non-binding letters of intent and memoranda of understanding.

- A relative stabilization of the real estate market in Moscow seems to have been achieved over the course of the third quarter of 2009 across all asset classes.
- Easing of liquidity constraints affecting the real estate sector, demonstrated by our success in obtaining significant refinancing for our Four Winds office building.
- Continued gradual pick up in residential sales, especially at our Ozerkovskaya project.
- The Aquamarine hotel at our Ozerkovskaya project opened on 15 November 2009.
- Works resumed at Tverskaya Zastava projects with plans to reactivate Ozerkovskaya III and Paveletskaya office projects as a result of stabilizing rental markets.

On November 2009, AfricaIsrael Investments Ltd. ("AI"), our controlling shareholder, reached a principle agreement for settlement with its debenture holders which includes, inter alia, the following terms, which concern AFI Development:

- Our Chairman, Mr. Leviev, is expected to continue to hold a controlling stake in AI;
- AI is expected to maintain a controlling stake in AFI Development. The above agreement is subject to the final approval by the debenture holders and the Israeli Court.

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

"Although our market environment remains difficult, we are pleased to see some signs of stabilization across all asset classes, as well as some improvement in access to liquidity for the real estate companies in Russia. Our ability to secure refinancing totaling US$150 million for our Four Winds project demonstrates the continued confidence from financial institutions in our ability to successfully execute our strategy.

Our key focus at present remains firmly on completing and leasing the Mall of Russia development, which is recognized by major international and local retailers in the market as a unique development in Moscow, as evidenced by strong interest in the property.

In addition, as a result of recent market stabilization, we are in the process of reviewing our short-term strategy with a view to potentially reactivating other projects which are at a relatively advanced stage of development, depending on future market trends."

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Chairman's & Chief Executive's Statement

In the third quarter of 2009 we started to witness some signs of stabilization in market conditions, with prices for both residential sales and office rentals remaining constant for several consecutive months, residential sales picking up and office occupancy across all office space classes stabilizing. At the same time, we have also seen some improvement in access to liquidity as demonstrated by the securing of significant refinancing for our Four Winds project at US$150 million for 8 years at an annual interest rate of 13% and a gradually increasing quarterly repayment schedule with a bullet repayment of US$86 million in the fourth quarter of 2017.

Completion of construction and leasing of the Mall of Russia remains the key priority for AFI Development in the short term. We continue to witness increasing interest in this property with the start of the fit out of public areas and assembly of glass façades. Our continued letting progress is evidenced by further lease agreements signed with major international and local retail operators including Mango (461 sq.m.), Moda Comfort (555 sq.m.), InCity (484 sq.m.), Camelot (316 sq.m.), BGN (208 sq.m.), as well as anchor tenants for the food court such as Cantina Mariachi (435 sq.m.), Viet Café (325 sq.m.) and Meet & Beer (435 sq.m.).

Combined with existing agreements with brands such as Zara, H&M, Massimo Dutti, Bershka, Pull & Bear, Stradivarius, Oysho, Douglas, Karen Millen, Snezhnaya Koroleva, Profi Sport, Colin's, Frey Wille, Baldinini, Fabi, No One, van Laack, Yves Roches, Prenatal, Dr. Koffer, Piquardo, Soyuz and others, the total take up in the Mall of Russia is now circa 35% with a further 30% to 35% covered by non-binding letters of intent and memoranda of understanding, which are scheduled for conversion into lease agreements in the coming months.

On 15 November 2009 we opened the Aquamarine hotel, our first hotel property in Moscow, that forms part of our Ozerkovskaya Embankment project (Phase II). The hotel is located inside the Garden Ring, in Zamoskvorechye district of Moscow, within walking distance from the Kremlin and the Red Square, Tretyakov State Gallery, and Paveletsky railway station. The hotel comprises 159 rooms and provides four star service with meeting facilities, restaurant and bar, and health and spa center.

Results:

Our financial performance for the nine months to 30 September 2009 was affected by the revaluation of certain investment properties under development by JLL. Following the implementation of the Amendments to IAS 40 "Investment Property", which require measurement of investment property under development at fair value, we have decided to adjust our revaluation treatment in order to allow for more adequate reflection of the valuation gains or impairments in our financial statements. Since the second quarter of 2009, instead of performing a full revaluation of our property portfolio twice a year, we have adopted a two-step approach to the valuation of investment properties and of investment properties under development. As a first step, the independent surveyors review our investment property portfolio to determine whether there has been any significant movement in the properties' values compared with their current book value. If the independent surveyors determine that there was indeed a material change in the values of certain properties, these properties are revalued and their book value adjusted accordingly. If there is no such change in the values, no revaluation is ordered and the corresponding book values remain intact. We will, however, continue to revaluate the aggregate portfolio once a year to be published with our annual results.

As of 30 September 2009, JLL concluded, amidst market stabilization in the Moscow real estate market, that there were no significant changes in values of our investment properties and investment properties under development. We, therefore, recorded no change to the book values of our properties and the aggregate results for the nine months to 30 September 2009 are largely affected by the cumulative effect of JLL's valuation of part of the investment properties and investment properties under development whose value materially fluctuated in the first two quarters of 2009.

Revenues increased to US$17.2 million in the third quarter of 2009 compared to US$9.1 million for the same period of 2008. This increase is attributable to the rental income from our completed yielding properties and to residential sales. Revenues for the year to date were US$47 million compared to US$21.7 million for the same period of 2008.

Cash and cash equivalents as at 30 September 2009 stood at US$164.2 million compared to US$132.5 million as at 30 June 2009. Our cash position is expected to increase further as we continue to receive the proceeds from the sale of the Kossinskaya project in accordance with the installment plan and as a result of the MDM Bank loan once we have repaid our existing loans to MDM.

Strategic update:

Signs of stabilization in the main segments of Moscow real estate market combined with improving access to liquidity have led us to start reassessing our short-term strategy. We are considering resuming more active construction of the Tverskaya Zastava shopping center project as well as reactivating some of our projects, such as Ozerkovskaya III and Paveletskaya, which are at a relatively advanced stage of development, subject to further stabilization in office rents and vacancy rates.

We are pleased that our prudent operating approach in responding to the global financial crisis has placed us in a strong liquidity position to benefit from the gradual recovery

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2009 to 30 September 2009

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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 statement of financial position of AFI Development PLC as at 30 September 2009 and the related condensed consolidated statements of income, comprehensive 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 Limited

Chartered Accountants

Nicosia, 16 November 2009

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period from 1 January 2009 to 30 September 2009

	Note	1/1/09-30/9/09 US$ '000	1/1/08-30/9/08 US$ '000
Revenue			
Rental income		27,371	20,190
Construction consulting/management services		720	1,463
		28,091	21,653
Other income		5,389	125
Operating expenses		(6,415)	(7,323)
Administrative expenses		(9,379)	(12,866)
Other expenses		(666)	-
		17,020	1,589
(Loss)/profit on disposal of investments in subsidiaries		(45)	249
Valuation gains on investment properties	6, 7	262,315	37,929
Impairment losses on trading properties	9, 10	(16,048)	(26,547)
Net valuation gains		246,267	11,382
Proceeds from sale of trading properties		18,912	-
Carrying value of trading properties sold		(15,624)	-
Profit on disposal of trading properties		3,288	-
Results from operating activities		266,530	13,220
Finance income		19,560	27,276
Finance expenses		(1,065)	(4,788)
Net finance income		18,495	22,488
Profit before income tax		285,025	35,708
Income tax expense	5	(67,930)	(7,710)
Profit for the period		217,095	27,998
Attributable to:			
Owners of the parent		216,193	27,343
Non-controlling interest		902	655
Profit for the period		217,095	27,998
Earnings per share			
Basic and diluted earnings per share (cent)		41.27	5.22

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2009 to 30 September 2009

	1/1/09- 30/9/09 US$ '000	1/1/08- 30/9/08 US$ '000
Profit for the period	217,095	27,998
Other comprehensive income:		
Exchange difference on translating foreign operations	(18,869)	(29,392)
Effect of acquisition of subsidiaries on non-controlling interest	-	831
Share option expense	849	1,870
Total comprehensive income for the period	199,075	1,307
Total comprehensive income attributable to:		
Owners of the parent	198,193	(185)
Non-controlling interest	882	1,492
	199,075	1,307

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2009 to 30 September 2009

	Attributable to the owners of the parent					Non-controlling Interest	Total
	Share capital US$ '000	Share premium US$ '000	Translation reserve US$ '000	Retained earnings US$ '000	Total US$ '000	US$ '000	US$ '000
Balance at 1 January 2008	524	1,763,933	8,490	393,004	2,165,951	379	2,166,330
Total comprehensive income for the period	-	-	(29,398)	29,213	(185)	1,492	1,307
Balance at 30 September 2008	524	1,763,933	(20,908)	422,217	2,165,766	1,871	2,167,637
Balance at 1 January 2009	524	1,763,933	(122,157)	85,215	1,727,515	1,866	1,729,381
Total comprehensive income for the period	-	-	(18,849)	217,042	198,193	882	199,075
Balance at 30 September 2009	524	1,763,933	(141,006)	302,257	1,925,708	2,748	1,928,456

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2009

	Note	30/9/09 US$ '000	31/12/08 US$ '000
Assets			
Investment property	6	179,006	186,275
Investment properties under development	7	1,627,111	1,112,003
Property, plant and equipment	8	101,463	102,833
Long-term loans receivable		4,541	5,610
VAT recoverable		33,500	22,189
Goodwill		150	150
Total non-current assets		1,945,771	1,429,060
Trading properties	9	35,735	-
Trading properties under construction	10	173,118	271,035
Inventory		183	91
Short-term loans receivable		1,938	640
Trade and other receivables	11	142,937	228,008
Other investments	12	69,620	-
Cash and cash equivalents		164,226	272,498
Total current assets		587,757	772,272
Total assets		2,533,528	2,201,332
Equity			
Share capital	13	524	524
Share premium		1,763,933	1,763,933
Translation reserve		(141,006)	(122,157)
Retained earnings		302,257	85,215
Total equity attributable to equity holders of the Company	13	1,925,708	1,727,515
Non-controlling interest		2,748	1,866
Total equity		1,928,456	1,729,381
Liabilities			
Long-term loans and borrowings	14	258,380	158,744
Deferred tax liability		68,633	6,321
Total non-current liabilities		327,013	165,065
Short-term loans and borrowings	14	96,655	139,562
Trade and other payables	15	152,483	140,339
Income tax payable		603	2,703
Deferred income		28,318	24,282
Total current liabilities		278,059	306,886
Total liabilities		605,072	471,951
Total equity and liabilities		2,533,528	2,201,332

The condensed consolidated interim financial statements were approved by the Board of Directors on 16 November 2009.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January 2009 to 30 September 2009

	Notes	1/1/09- 30/9/09 US$'000	1/1/08- 30/9/08 US$'000
Cash flows from operating activities			
Profit for the period		217,095	27,998
Adjustments for:			
Depreciation	8	634	6,362
Interest income		(10,706)	(26,030)
Interest expense		946	1,854
Share option expense		849	1,870
Net valuation gains		(246,267)	(11,382)
Loss/(profit) on disposal of investments		45	(249)
Loss on disposal of property, plant and equipment		102	43
Unrealised (profit)/loss on foreign exchange		(8,613)	3,025
Income tax expense		67,930	7,710
		22,015	11,201
Change in trade and other receivables		9,732	(11,491)
Change in inventories		92	(28)
Change in trading properties under construction		(6,869)	(31,631)
Change in trade and other payables		(28,482)	113,124
Change in deferred income		4,036	19,142
		524	100,317
Income tax paid		(6,944)	(10,837)
Net cash (used in)/from operating activities		(6,420)	89,480
Cash flows from investing activities			
Interest received		10,023	25,457
Proceeds from sale of investments		-	93,222
Receipts in advance from sale of investments		63,471	-
Net cash outflow for the acquisition of investments		(31,894)	(149,752)
Proceeds from sale of property, plant and equipment		-	32
Change in advances and payables to builders		72,154	(1,662)
Payments for investment properties under development	6, 7	(146,592)	(248,379)
Change in VAT recoverable		(11,260)	(13,641)
Payments for acquisition of property, plant and equipment	8	(1,079)	(1,891)
Net cash used in investing activities		(45,177)	(296,614)
Cash flows from financing activities			
Payments for loans receivable		(66)	(2,387)
Proceeds from repayment of loans receivable		-	56
Proceeds from loans and borrowings		89,122	227,606
Repayment of loans and borrowings		(33,600)	(216,479)
Interest paid		(25,119)	(20,103)
Net cash from/(used in) financing activities		30,337	(11,307)
Effect of exchange rate fluctuations		(17,392)	(25,024)
Net decrease in cash and cash equivalents		(38,652)	(243,465)
Reclassification to other financial assets	12	(69,620)	-
Cash and cash equivalents at 1 January		272,498	812,373
Cash and cash equivalents at 30 September		164,226	568,908
The cash and cash equivalents consist of:			
Cash at banks		164,218	568,899
Cash in hand		8	9
		164,226	568,908

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2009 to 30 September 2009

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 2009 to 30 September 2009 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 2008.

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 2008 except from the application of the Revised IAS1: ‘‘Presentation of Financial Statements’’ which had a material effect on the presentation of Financial Statements and the improvements to IFRSs of 2008, specifically improvements to IAS 40 “Investment property” which had a material impact on the financial statements of the 9 month period ended 30 September 2009. Under the new requirements investment property under development was measured at fair value. As a result, US$266,786 thousand was recognised as revaluation gain and a deferred tax expense of US$67,561 thousand. The net effect was an increase of US$199,225 thousand of the profit for the period.

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 2008.

5. INCOME TAX EXPENSE

	1/1/09- 30/9/09 US$ '000	1/1/08- 30/9/08 US$ '000
Current tax expense	(4,843)	(10,790)
Deferred tax expense on revaluation	(67,675)	(9,102)
Deferred tax benefit on other timing differences	4,588	12,182
	(67,930)	(7,710)

6. INVESTMENT PROPERTY

	30/9/09 US$ '000	31/12/08 US$ '000
Balance 1 January	186,275	287,865
Transfer from investment properties under development	-	48,982
Renovations	180	-
Fair value adjustment	(4,471)	(8,383)
Disposal	-	(107,668)
Effect of movement in foreign exchange rates	(2,978)	(34,521)
Balance 30 September/ 31 December	179,006	186,275

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser 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 independent appraiser valuation took place on 30 June 2009.

Investment property comprises of the building H2O which is part of the Paveletskaya development, the building situated at 71 Bolshaya Gruzinskaya street which is part of the Four Winds project, the Ozerkovsky Lane 3 building located at Ozerkovskaya Embankment 22-28 and Berezhkovskaya buildings located within the Dorogomilovsky district of Moscow.

7. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	30/9/09 US$ '000	31/12/08 US$ '000
Balance 1 January	1,112,003	1,062,545
Additions due to acquisitions of subsidiaries	45,156	124,484
Construction costs	146,412	272,631
Capitalised interest	24,280	15,919
Transfer from trading properties under construction	34,989	-
Transfer from property, plant and equipment	-	(63,709)
Transfer to investment property	-	(48,982)
Transfer to trading properties under construction	-	(90,644)
Fair value adjustment	266,786	(125,809)
Disposal	(75)	-
Effect of movements in foreign exchange rates	(2,440)	(34,432)
Balance 30 September / 31 December	1,627,111	1,112,003

As from 1 January 2009 the Group applied the improvements to IFRSs of 2008 and specifically improvements to IAS 40 “Investment property” which had a material impact on the carrying amount of the investment property under development. Under the new requirements investment property under development is measured at fair value. As a result, US$266,786 was recognised as revaluation gain during the current period.

8. PROPERTY, PLANT AND EQUIPMENT

	30/9/09 US$ '000	31/12/08 US$ '000
Balance 1 January	102,833	45,563
Additions due to acquisitions of subsidiaries	-	28,417
Disposals	(102)	(37,219)
Additions	1,079	14,499
Transfer from investment property under development	-	63,709
Depreciation	(634)	(7,938)
Effect of movements in exchange rates	(1,713)	(4,198)
Balance 30 September / 31 December	101,463	102,833

9. TRADING PROPERTIES

	30/9/09 US$ '000	31/12/08 US$ '000
Balance 1 January	-	-
Transfer from trading properties under construction	49,020	-
Impairment loss	(3,407)	-
Disposals	(10,161)	-
Effect of movements in exchange rates	283	-
Balance 30 September / 31 December	35,735	-

10. TRADING PROPERTIES UNDER CONSTRUCTION

	30/9/09 US$ '000	31/12/08 US$ '000
Balance 1 January	271,035	172,177
Construction costs	6,869	28,925
Impairment loss	(12,641)	(20,792)
Transfer from investment properties under development	-	90,644
Transfer to trading properties	(49,020)	-
Transfer to investment properties under development	(34,989)	-
Capitalised interest	1,508	7,224
Disposals	(5,463)	-
Effect of movements in exchange rates	(4,181)	(7,143)
Balance 30 September / 31 December	173,118	271,035

11. TRADE AND OTHER RECEIVABLES

	30/9/09 US$ '000	31/12/08 US$ '000
Advances to builders	40,050	111,939
Amounts receivable from related companies	4,758	4,292
Prepayments for acquisition of investments	10,916	30,179
Deferred expenditure	-	2,411
Trade receivables	10,578	17,940
Other receivables	43,979	34,123
VAT recoverable	30,702	25,808
Tax receivables	1,954	1,316
	142,937	228,008

Prepayments for acquisition of investments

2009: Represents an amount prepaid for acquisition of shareholding of OOO Avtograd.

2008: Includes US$12,750 thousand prepaid for the acquisition of 100% shareholding of Roppler Engineering Inc. and US$10,916 thousand prepaid for the acquisition of 100% shareholding of OOO Avtograd.

Other receivables

Includes an amount of US$21,954 (31/12/2008: US$20,958) thousand prepaid for the acquisition of 100% of shareholding in Pinkerton Limited owning 100% of the share capital of JSC WTIC Mercury, registered in the Russian Federation. The Group decided not to proceed with the acquisition and funds will be returned.

12. OTHER INVESTMENTS

The amount represents securities in an investment portfolio, initially treated as cash and cash equivalents, reclassified on 30 June 2009.

13. SHARE CAPITAL AND RESERVES

Share Capital	30/9/09 US$ '000	31/12/08 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 issued shares 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.

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 1,174,065 GDRs were granted up to 30 September 2009 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 2009.

14. LOANS AND BORROWINGS

	30/9/09 US$ '000	31/12/08 US$ '000
Long-term loans		
Secured bank loans	248,245	128,583
Secured loan from non-related company	10,000	30,000
Unsecured loan from non related company	135	161
	258,380	158,744
Short-term loans		
Secured bank loan	62,799	105,025
Secured loans from non-related companies	20,099	21,005
Unsecured loans from other non related companies	13,757	13,532
	96,655	139,562

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

(i) A non-revolving credit line which was obtained from MDM Bank for US$16,758 thousand during the year ended 31 December 2008 was reclassified from short to long term during the period as the repayment date of the loan was extended to 20 December 2010. This credit line initially carried interest of 12% annually (dollar terms) and starting from 30 September 2008 the interest rate was increased, by the bank, to 20% annually (dollar terms). The funds drawn under the credit line are being used to finance the construction of the Four Winds project. The loan is secured by both residential and non-residential premises and parking places of Four Winds Plaza I & II projects. This credit line was refinanced after the period end. Please refer to note 18 - Subsequent events.

(ii) A non-revolving credit line which was obtained from MDM Bank for €35 million during the year ended 31 December 2007 was also reclassified as long term during the period as the repayment date of the loan was extended to 20 December 2010. This credit line initially carried interest of 12% and 14% annually (euro terms) and starting from 30 September 2008 interest rate was increased, by the bank, to 20% annually (euro terms). The funds drawn under the credit line are being used to finance the construction of the Four Winds Project. The loan is secured by both residential and non-residential premises and parking places of Four Winds Plaza I & II projects. This credit line was refinanced after the period end. Please refer to note 18 - Subsequent events.

(iii) Additional US$83,590 thousand were drawn, during the reporting period, from the credit line of VTB Bank. This credit line initially carried interest of 14.25% (ruble terms) which increased to 16% (ruble terms) since April 2009. The funds drawn under the credit line are being used to finance the construction of the Moscow City Mall.

15. TRADE AND OTHER PAYABLES

	30/9/09 US$ '000	31/12/08 US$ '000
Trade payables	70	453
Payables to related parties	1,168	471
Amount payable to builders	19,526	19,261
VAT and other taxes payable	1,993	1,647
Down payments received for construction projects	-	2,932
Provisions for construction costs	7,374	30,934
Receipts in advance from sale of investment	63,471	-
Other payables	58,881	84,641
	152,483	140,339

Receipts in advance from sale of investment

During the period the Company has entered into a sale and purchase agreement for the project Kosinskaya, through the sale of subsidiary Rognerstar Finance Limited. Sale proceeds of US$ 195 million will be received over the course of one year. Up to 30 September 2009 the Company received US$ 63 million.

Other payables

Include an amount of US$ 54,963 thousand (2008: US$ 80,991) payable to the 50% partner of the joint venture Krown LLC, which was disposed during the second quarter of 2008.

16. 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 2008.

17. GROUP ENTITIES

During the nine month period ended 30 September 2009 the Group acquired the following subsidiaries:

100% of Ropler Engineering Inc, a British Virgin Islands company, which owns 100% shareholding of OOO Centr Dosuga Molodegi, registered in Russia. OOO Centr Dosuga Molodegi LLC holds the land rights in Kunstevo project.

100% of Amakri Management Limited and 100% of Jaquetta Investments Limited, Cypriot companies, owning cumulatively 100% shareholding of ABG Sozidatel, which holds land rights in Zaporozhie project in Ukraine.

18. SUBSEQUENT EVENTS

Subsequent to 30 September 2009 there were no events that took place which have a bearing on the understanding of these financial statements except of the following:

On 9 October 2009 the 50% owned subsidiary Dulverton Limited entered into a credit line agreement with OAO “MDM Bank” for the re-financing of the loan facilities over the Four Winds project. Under this credit line agreement, Dulverton Limited will receive a loan of US$ 150 million to be repaid in 31 accelerating quarterly instalments commencing with a first instalment of US$ 0.6 million payable in the second quarter of 2010 and increasing to a thirtieth instalment of US$ 3.5 million payable in the third quarter of 2017 with a subsequent bullet repayment of US$ 86 million in the fourth quarter of 2017. The loan will bear an annual interest of 13% and will be used to pay two existing loans for Four Winds project and for financing operating activities.

The loan will be secured by the mortgage of the Four Winds office building owned by Dulverton Limited.