THIS ANNOUNCEMENT IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN OR INTO THE RUSSIAN FEDERATION, THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN

18 November 2010

AFI DEVELOPMENT PLC
RESULTS FOR THE NINE MONTHS TO 30 SEPTEMBER 2010

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 2010.

Financial Highlights:

- Revenues for nine months to 30 September 2010 including net proceeds from the sale of trading properties increased by 15% year-on-year to US$53.9 million driven by higher rental income and residential sales.
- Loss before tax driven by revaluation for the period was US$49.8 million compared to profit of US$285 million for nine months to 30 September 2009.
- Net loss for nine months to 30 September 2010 was US$53.9 million compared to net profit of US$217.1 million for nine months to 30 September 2009. Of this, net profit of US$9.1 million was achieved in the third quarter which was not affected by fluctuations in the valuation of our investment properties and investment properties under development, against US$1.9 million in the third quarter of 2009.
- Construction loan from Sberbank for US$74 million was obtained to complete construction of Ozerkovskaya Embankment (Phase III).
- Strong cash position with US$110.3 million in cash and cash equivalents as at 30 September 2010 and potential for future growth driven by further improvement in residential sales and rental income.

Q3 2010 Operational Highlights:

- Positive progress in the completion of existing large-scale development projects and reactivation of selected planned projects, as part of strategy to align our activities with strengthening markets.
- Opening of the Mall of Russia is expected upon completion of construction in early December and following receipt of the necessary approvals from the City authorities. Occupancy target of 75% to be reached by opening in December with retailers undertaking fit-out works gradually, as planned. The majority of shops expected to be operational during the first quarter of 2011.
- We are proud that the Mall of Russia will set new standards for retail experience in Russia by its design, tenant mix and operational management. The Mall is expected to be one of the largest new retail developments in Europe in 2011, reflecting the growth of the Russian retail sector.

- Continued strong interest from major international and Russian retail operators with confirmed tenants including Marks & Spencer, Gap, H&M, Zara, Next, as well as X5, Russia's largest retail company, and Eldorado, the country's leading consumer electronics retailing group. In addition to a shopping gallery of 390 stores, the Mall of Russia will offer a range of entertainment facilities at an attractive location in the heart of Moscow City.
- Construction at Ozerkovskaya Embankment (Phase III) on track for completion in 2011.
- Instruction of further projects (Plaza IC multi-use complex of the Tverskaya Zastava surroundings projects and Kalinina Spa Hotel) is planned to be resumed following stabilization in market conditions.

Strategy update

- Short-term focus remains on completing the fully-funded large-scale projects under construction in Moscow - Mall of Russia, Tverskaya Zastava Shopping Centre, Ozerkovskaya Embankment (Phase III) and Paveletskaya business park.
- Medium-term focus on progressing development activities of selected projects within the Moscow real estate market which currently offers the highest development potential for value-creation in Russia and the CIS.
- Land bank outside of Moscow to be reviewed once market conditions have improved. Future developments to be based on availability of financing and strength of demand for each project. Co-investor contracts and sale of selected projects currently under consideration.

Commenting on today's announcement, Lev Leviev, Chairman of AFI Development, said:
"Our belief in the positive outlook for the Russian real estate market remains firm and we are encouraged by the signs of sustained market recovery as demand from our tenants continues to improve. We are also pleased with our decision to focus on our key projects under development during the economic crisis, which has served to further strengthen our position in the market and ensure that we are well placed for market recovery.

We are delighted that the Mall of Russia is due to open in December 2010. The Mall is one of Europe's largest retail developments in recent years and represents a unique retail centre in the Moscow market. We believe that the successful execution of such a complex project and our ability to achieve high occupancy levels at opening despite difficult market conditions clearly demonstrates our development and leasing expertise.

At the same time, Phase III of our Ozerkovskaya Embankment project remains on track for completion in 2011.

We thank our investors for their continued strong confidence in the company. We have been encouraged by the commitment of the new Mayor of Moscow to accelerate the upgrade of the city's infrastructure, and going forward we expect the positive trends in the sector to persist. We look forward to capitalizing on the opportunities provided by market recovery in the years to come."

- ends -

For further information, please contact:

AFI Development	+7 495 796 9988
Stanislav Joukov	
Natalia Ivanova	
Citigate Dewe Rogerson, London	+44 20 7638 9571
David Westover	
Sandra Novakov	
Lucie Holloway	

Chairman's Statement

In line with our strategy, our main focus during the third quarter of 2010 was on further progressing with the development of our core projects.

The construction of our Mall of Russia project will be completed in early December 2010, as planned. The Company will then apply to the Moscow City for authorisation to open its doors to the public. In the meantime, tenants will continue with the fit-out of their stores which is expected to take several months. To date, approximately 70% of the retail shops in the Mall of Russia have been pre-let (contractual agreements signed as of the date of this release) and we remain on track to achieve our occupancy target of 75% by the time of opening in December. With a total area of nearly 180,000 square metres occupied by a shopping gallery of a minimum of 390 stores, an 11-screen movie theatre and with a number of additional outstanding leisure facilities, the Mall of Russia is one of Europe's largest retail developments in recent years. The entire Moscow City development project is the first of its kind in Russia and a unique project comprising innovative architectural approaches and multi- functional infrastructure.

At the same time, construction at Ozerkovskaya Embankment (Phase III) remains on track for completion in 2011.

In addition to the Shopping Centre, the Company intends to start the works on Plaza IC, a multi-use development that forms part of the Tverskaya Zastava project. The Gross Building Area for this phase will be nearly 52,000 sq m. Plaza IC will include residential, office and retail space in one of Moscow's prime central areas.

We are also continuing work on the Kalinina Spa Hotel located in the south-western part of Zheleznovodsk. The hotel is due to occupy a site of approximately 0.1 hectare and will include 175 guest rooms, of which 14% are expected to be suites. A spa area will occupy approximately c 1,100 sq m, which will include 45 treatment rooms, two saunas, a jacuzzi, an indoor swimming pool and extensive medical and diagnostic facilities.

Results

Following the implementation of the Amendments to IAS 40 "Investment Property", 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 continue to revaluate the aggregate portfolio once a year, which is published with our annual results.

As of 30 September 2010, JLL concluded that there were no significant changes in values of our investment properties and investment properties under development since 30 June 2010.

Revenues stood at US$ 14.4 million in the third quarter of 2010 compared to US$17.2 million for the same period of 2009. Revenues are attributable to the rental income from our completed yielding properties and to residential sales. Revenues for the year to date were US$53.9 million compared to US$47 million for the same period of 2009.

Cash and cash equivalents as at 30 September 2010 stood at US$110.3 million compared to US$164.2 million as at 30 June 2009. Our cash position is expected to increase further as a result of the proceeds from the sale of apartments at our Ozerkovskaya Embankment (Phase III) and Four Winds Plaza projects, as well as rental income from the Mall of Russia.

Strategy update

In line with the strategy set out in our 2008 third quarter results announcement, our short-term focus over the past two years has been on our fully-funded core projects which represent unique assets, transformative for their local environments in Moscow.

Our expectation in the medium-term is that the Moscow real estate market will continue to offer the highest development potential due to its size, position as the largest financial centre in Russia and high volume of business activity. As such, we plan to maintain our development focus on this market until market conditions improve further, when a review of our land bank outside of Moscow will be conducted. Future development action will be based on availability of financing and strength of demand for each project.

Market Overview

The real estate market continued to improve in the third quarter of 2010 with stable rental rates and real growth being observed in prime segments, resulting in 12% year-on-year growth in the Russian real estate investment market.

General market sentiment improved significantly with international corporations looking at Russia as the number one market for expansion. Rental growth in Moscow is expected to increase by 2-3% in the fourth quarter of 2010, influenced by inflation and Rouble depreciation.

Investments in the third quarter of 2010 were very diversified with office and residential segments accounting for 36% and 24% of total investment volume, respectively. Investors have also started to show renewed interest in projects under development due to compressing yields, greater availability of financing and rental stability.

[Source: Russian economic and investment market commentary: Q3 2010, Jones Lang LaSalle; Marketbeat: An overview of the Russian property market: Q3 2010, Cushman & Wakefield]

Office Real Estate

The recovery of the Moscow office market continued in the third quarter. At the end of the third quarter of 2010, modern office stock in Moscow exceeded 12.3 million sq m. However, despite recent dynamic growth, the overall stock level remains relatively moderate compared to other major European cities.

The volume of completed projects in the first nine months of 2010 was 598,310 sq m, down 59% year-on-year due to a number of developers postponing their current projects.

Driven by continued recovery of tenant demand, take-up for the first nine months of the year reached 1,055,830 sq m, exceeding the total 2009 level by more than 31%. The overall vacancy rate decreased to 14.7%; however, it remains high due to the continued large volume of vacant completions in 2010.

In the third quarter of 2010, 280,000 sq m of office space was leased and bought; this decrease versus the second quarter of 2010 is attributed to seasonal trends. In some cases, asking rents in prime locations increased by 30% with average rental rates remaining stable.

Due to active market development in recent years, the current office pipeline in Moscow is expected to remain high for the next three years, at about three million sq m. Over the next 18 months, market analysts forecast a stable office market environment with moderate rental rates growth of 5% to 10% annually.

[Source: Marketbeat: An overview of the Russian property market: Q3 2010, Cushman & Wakefield; Moscow Office market Q3 2010, Jones Lang LaSalle]

Retail Real Estate

The third quarter of 2010 saw an increase in activity from retailers which had not been seen since late 2008, with operators actively looking for new premises and signing new leases agreements. Average rental rates remain stable; however, asking rents for prime premises have begun to grow, although footfall in quality Moscow shopping centres decreased by 20% in comparison to the second quarter of 2010. Moscow is now the fifteenth city in the world in terms of rents in prime retail corridors, moving up one step since last year.

Completions for 2010 are expected to be around 500,000 sq m. However, the new openings are not expected to have a negative effect on the vacancy rate, which has declined to 7% due to improved retailer demand.

[Source: Marketbeat: An overview of the Russian property market: Q3 2010, Cushman & Wakefield; Moscow Retail Market: Q32010, Jones Lang LaSalle; Russian Real Estate Investment Overview: Q32010; Jones Lang LaSalle]

Residential Real Estate

Residential property remains in high demand with volumes accounting for 24% of the total investment volume in the third quarter of 2010.

[Source: Russian economic and investment market commentary: Q3 2010, Jones Lang LaSalle]

Lev Leviev	**Alexander Khaldey**
Chairman of the Board	**Director**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 September 2010

C O N T E N T S

Independent auditors' 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 2010 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".

Chartered Accountants

Nicosia, 17 November 2010

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period from 1 January 2010 to 30 September 2010

	Note	1/1/10-30/9/10 US$ '000	1/1/09-30/9/09 US$ '000
Revenue			
Rental income		32,109	27,371
Construction consulting/management services		685	720
		32,794	28,091
Other income		62	5,389
Operating expenses		(11,314)	(6,415)
Administrative expenses		(8,841)	(9,379)
Other expenses	6	(3,982)	(666)
		8,719	17,020
Profit on disposal of investments in subsidiaries		-	(45)
Valuation (loss)/gain on investment property	7	(40,362)	262,315
Impairment loss on trading properties	13,14	(1,251)	(16,048)
Impairment loss on property, plant and equipment	12	(12,882)	-
Impairment of prepayment for investment	15	(7,511)	-
Net valuation (loss)/gain		(62,006)	246,267
Net proceeds from sale of trading properties		21,100	18,912
Carrying value of trading properties sold		(13,051)	(15,624)
Profit on disposal of trading properties		8,049	3,288
Results from operating activities		(45,238)	266,530
Finance income		5,439	19,560
Finance costs		(10,012)	(1,065)
Net finance (costs)/income	8	(4,573)	18,495
(Loss)/profit before income tax		(49,811)	285,025
Income tax expense	9	(4,094)	(67,930)
(Loss)/profit for the period		(53,905)	217,095
Attributable to:			
Owners of the parent		(54,078)	216,193
Non-controlling interest		173	902
(Loss)/profit for the period		(53,905)	217,095
Earnings per share			
Basic and diluted earnings per share (cent)		(7.74)	41.27

The notes form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2010 to 30 September 2010

	1/1/10- 30/9/10 US$ '000	1/1/09- 30/9/09 US$ '000
(Loss)/profit for the period	(53,905)	217,095
Other comprehensive income:		
Exchange difference on translating foreign operations	1,135	(18,869)
Total comprehensive income for the period	(52,770)	198,226
Total comprehensive income attributable to:		
Owners of the parent	(52,934)	197,344
Non-controlling interest	164	882
	(52,770)	198,226

The notes form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2010 to 30 September 2010

	Attributable to the owners of the Company					Non-controlling 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 2009	524	1,763,933	(122,157)	85,215	1,727,515	1,866	1,729,381
Total comprehensive income for the period							
Profit for the period	-	-	-	216,193	216,193	902	217,095
Other comprehensive income							
Foreign currency translation differences	-	-	(18,849)	-	(18,849)	(20)	(18,869)
Total comprehensive income for the period	-	-	(18,849)	216,193	197,344	882	198,226
Transactions with owners, recorded directly in equity							
Share option expense	-	-	-	849	849	-	849
Balance at 30 September 2009	524	1,763,933	(141,006)	302,257	1,925,708	2,748	1,928,456
Balance at 1 January 2010	524	1,763,933	(142,745)	80,949	1,702,661	2,867	1,705,528
Total comprehensive income for the period							
(Loss)/profit for the period	-	-	-	(54,078)	(54,078)	173	(53,905)
Other comprehensive income							
Foreign currency translation differences	-	-	1,144	-	1,144	(9)	1,135
Total comprehensive income for the period	-	-	1,144	(54,078)	(52,934)	164	(52,770)
Transactions with owners, recorded directly in equity							
Issue of bonus shares	524	(524)	-	-	-	-	-
Share option expense	-	-	-	60	60	-	60
Total transactions with owners, recorded directly in equity	524	(524)	-	60	60	-	60
Balance at 30 September 2010	1,048	1,763,409	(141,601)	26,931	1,649,787	3,031	1,652,818

The notes form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

	Note	30/9/10 US$ '000	31/12/09 US$ '000
Assets			
Investment property	10	157,845	140,476
Investment property under development	11	1,534,575	1,290,191
Property, plant and equipment	12	91,390	102,749
Other investments		40,137	42,959
Long-term loans receivable		38	38
VAT recoverable		14,708	29,780
Intangible assets		153	150
Total non-current assets		1,838,846	1,606,343
Trading properties	13	30,916	42,050
Trading properties under construction	14	174,173	171,229
Inventory		372	324
Short-term loans receivable		78	73
Trade and other receivables	15	106,295	126,748
Cash and cash equivalents		110,272	210,830
Assets classified as held for sale	11	-	190,044
Total current assets		422,106	741,298
Total assets		2,260,952	2,347,641
Equity			
Share capital	16	1,048	524
Share premium	16	1,763,409	1,763,933
Translation reserve	16	(141,601)	(142,745)
Retained earnings		26,931	80,949
Total equity attributable to owners of the Company	16	1,649,787	1,702,661
Non-controlling interest		3,031	2,867
Total equity		1,652,818	1,705,528
Liabilities			
Long-term loans and borrowings	17	381,029	322,096
Deferred tax liability		41,988	44,592
Total non-current liabilities		423,017	366,688
Short-term loans and borrowings	17	38,555	94,005
Trade and other payables	18	122,763	151,702
Income tax payable		134	1,892
Deferred income		23,665	27,826
Total current liabilities		185,117	275,425
Total liabilities		608,134	642,113
Total equity and liabilities		2,260,952	2,347,641

The condensed consolidated interim financial statements were approved by the Board of Directors on 17 November 2010. The notes form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the period from 1 January 2010 to 30 September 2010

	Note	1/1/10-30/9/10 US$'000	1/1/09-30/9/09 US$'000
Cash flows from operating activities			
(Loss)/profit for the period		(53,905)	217,095
Adjustments for:			
Depreciation	12	944	634
Interest income	8	(5,439)	(10,706)
Interest expense		5,370	946
Share option expense		60	849
Net valuation loss/(gain)		62,006	(246,267)
Profit on disposal of investments		-	45
Loss on disposal of property, plant and equipment		116	102
Change in fair value of other investments		14	-
Unrealised loss/(gain) on foreign exchange	8	2,786	(8,613)
Income tax expense	9	4,094	67,930
		16,046	22,015
Change in trade and other receivables		19,175	9,732
Change in inventories		(48)	92
Change in trading properties under construction		11,232	(6,869)
Change in trade and other payables		(1,494)	(28,482)
Change in deferred income		(4,161)	4,036
		40,750	524
Income taxes paid		(6,926)	(6,944)
Net cash used in operating activities		33,824	(6,420)
Cash flows from investing activities			
Interest received		1,893	10,023
Cash received from investment portfolio		2,808	-
Net cash outflow for the acquisition of investments		-	(31,894)
Receipts in advance from the sale of investment		2,506	63,471
Payment of deferred expenses associated to the disposal of an investment		(1,950)	-
Change in advances and payables to builders		3,715	72,154
Payments for investment property under development		(108,129)	(146,592)
Change in VAT recoverable		1,655	(11,260)
Payments for acquisition of property, plant and equipment		(3,152)	(1,079)
Payment for acquisition of intangible assets		(3)	-
Net cash used in investing activities		(100,657)	(45,177)
Cash flows from financing activities			
Payment for loans receivable		-	(66)
Proceeds from loans and borrowings		73,981	89,122
Repayment of loans and borrowings		(70,669)	(33,600)
Interest paid		(36,517)	(25,119)
Net cash used in financing activities		(33,205)	30,337
Effect of exchange rate fluctuations		(520)	(17,392)
Net decrease in cash and cash equivalents		(100,558)	(38,652)
Reclassification to other financial assets		-	(69,620)
Cash and cash equivalents at 1 January		210,830	272,498
Cash and cash equivalents at 30 September		110,272	164,226
The cash and cash equivalents consist of:			
Cash at banks		110,271	164,218
Cash in hand		1	8
		110,272	164,226

The notes form an integral part of the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 September 2010

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 54% (31/12/2009: 71,20%) indirect subsidiary of Africa Israel Investments Ltd ("Africa-Israel"), which is listed in the Tel Aviv Stock Exchange ("TASE"). The decrease was a result of the debt restructuring of Africa-Israel's debt to the holders of its previously issued bonds (the "Settlement"), pursuant to which Africa-Israel converted part of its debt into AFI Development's equity amounting to 92,720,923 shares, representing circa 17.7% of the Company's equity capital. In order to facilitate this part of the Settlement, Africa-Israel converted a corresponding amount of its shares in the Company into GDRs. Following the completion of the Settlement, Africa-Israel remained AFI Development's majority shareholder with 54% of the Company's shares. In addition, Africa-Israel has pledged 126,605,557 of its GDRs in the Company to the bond holders. A 9.7% of the Company's share capital is held by Nirro Group S.A. and the remaining shareholding of A shares is held by a custodian bank in exchange for the GDRs issued and listed in the London Stock Exchange ("LSE"). On 5 July 2010 the Company issued by way of a bonus issue 523,847,027 B shares, which were admitted to a premium listing on the Official List of the UK Listing Authority and to trading on the main market of LSE. On the same date, the ordinary shares of the Company were designated A shares. Further details on note 16.

The condensed consolidated interim financial statements of the Company for the period from 1 January 2010 to 30 September 2010 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 2009.

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 2009.

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 2009.

5. OPERATING SEGMENT

The Group has 4 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different types of real estate products and services and are managed separately because they require different marketing strategies as they address different types of clients. For each strategic business unit the Group's management reviews internal management reports on at least a monthly basis. The following summary describes the operation in each of the Group's reportable segments:

- Development Projects – Commercial projects: Include construction of property for future lease.
- Development Projects – Residential projects: Include construction and selling of residential properties.
- Asset Management: Includes the operation of investment property for lease.
- Other – Land bank: Includes the investment and holding of property for future development.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's management team. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	Development projects				**Asset management**		**Other - land bank**			
	Commercial projects		Residential projects						Total	
	30/9/2010 US$'000	30/9/2009 US$'000	30/9/2010 US$'000	30/9/2009 US$'000	30/9/2010 US$'000	30/9/2009 US$'000	30/9/2010 US$'000	30/9/2009 US$'000	30/9/2010 US$'000	30/9/2009 US$'000
External revenues	903	87	21,100	18,912	31,203	27,284	3	-	53,209	46,283
Inter-segment revenue	5	16	3	-	219	769	209	-	436	785
Reportable segment profit/loss before income tax	(4,938)	7,619	8,183	2,852	18,026	20,547	(9,801)	2,651	11,470	33,669
	30/9/2010 US$'000	31/12/2009 US$'000	30/9/2010 US$'000	31/12/2009 US$'000	30/9/2010 US$'000	31/12/2009 US$'000	30/9/2010 US$'000	31/12/2009 US$'000	30/9/2010 US$'000	31/12/2009 US$'000
Reportable segment assets	1,128,717	1,150,065	261,474	301,763	501,374	423,569	193,844	221,742	2,085,409	2,097,139

Note:
Development projects – all investment projects under construction, including construction of residential properties
Asset management – yielding property management (all commercial properties)

Reconciliation of reportable segment revenues and profit or loss

	1/1/10-30/9/10 US$ '000	1/1/09-30/9/09 US$ '000
Revenues		
Total revenue for reportable segments	53,645	47,068
Construction consulting/management services	685	720
Elimination of inter-segment revenue	(436)	(785)
Consolidated revenue	53,894	47,003

Reconciliation of reportable profit or loss	1/1/10-30/9/10 US$ '000	1/1/09-30/9/09 US$ '000
Profit or loss		
Total profit of reportable segments	11,470	33,669
Other profit	725	5,089
Net valuation (loss)/gain	(62,006)	246,267
Consolidated (loss)/profit before income tax	(49,811)	285,025

6. OTHER EXPENSES

	1/1/10-30/9/10 US$ '000	1/1/09-30/9/09 US$ '000
Land lease expense	(2,361)	-
Listing expenses	(1,208)	-
Prior year's VAT non recoverable	(413)	(666)
	(3,982)	(666)

7. VALUATION (LOSS)/GAIN ON INVESTMENT PROPERTY

30/9/2010: Represents fair value adjustments on investment property and investment property under construction during the period. The adjustments reflect mainly changes on the fair value of the land bank properties which were valued by external appraisers in May 2010. On 30 September 2010 none of the investment property under development projects were adjusted as the examination of their fair value on the same date did not reveal significant differences between their book value and market value.

30/9/2009: Represents a fair value adjustment on investment property under development based on improvements to IAS 40 "Investment Property" posted on 1 January 2009 and fair value adjustments during the nine month period up to 30 September 2009 based on further valuations by professional appraisers performed in June 2009.

8. FINANCE COST AND FINANCE INCOME

	1/1/10- 30/9/10 US$ '000	1/1/09- 30/9/09 US$ '000
Interest income	5,439	10,947
Net foreign exchange gain	-	8,613
Finance income	5,439	19,560
Interest expense on loans and borrowings	(983)	(6,714)
Interest expense on bank loans	(36,774)	(19,676)
Interest capitalised	32,387	25,788
Net change in fair value of financial assets	(1,624)	(344)
Other finance costs	(232)	(119)
Net foreign exchange loss	(2,786)	-
Finance costs	(10,012)	(1,065)
Net finance (costs)/income	(4,573)	18,495

9. INCOME TAX EXPENSE

	1/1/10- 30/9/10 US$ '000	1/1/09- 30/9/09 US$ '000
Current tax	(5,168)	(4,843)
Deferred tax benefit/(expense)	1,074	(63,087)
Total income tax expense	(4,094)	(67,930)

10. INVESTMENT PROPERTY

	30/9/10 US$ '000	31/12/09 US$ '000
Balance 1 January	140,476	186,275
Transfer from investment property under development	23,592	-
Renovations/additional cost	1,193	6,434
Fair value adjustment	(7,047)	(50,531)
Effect of movement in foreign exchange rates	(369)	(1,702)
Balance 30 September / 31 December	157,845	140,476

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 were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The same applies for investment properties under development in note 11 below. The last valuation took place on 30 June 2010.

During the period the commercial area and fitness centre of the second building of Four Winds project was completed and was reclassified as Investment property.

11. INVESTMENT PROPERTY UNDER DEVELOPMENT

	30/9/10 US$ '000	31/12/09 US$ '000
Balance 1 January	1,290,191	1,112,003
Additions due to acquisitions of subsidiaries	-	45,156
Construction costs	106,936	185,342
Capitalised interest	31,899	25,997
Transfer from trading properties under construction	-	25,773
Transfer from/(to) assets classified as held for sale	144,035	(190,044)
Fair value adjustment	(12,626)	89,454
Transfer to investment property	(23,592)	-
Transfer to trading properties	(301)	-
Disposal	-	(75)
Effect of movements in foreign exchange rates	(1,967)	(3,415)
Balance 30 September / 31 December	1,534,575	1,290,191

On 30 June 2010 the Company decided to reclassify the Kossinskaya project from "assets held for sale" back to investment property under development due to the uncertainty of fulfilment of the agreement and future date of closing. Pursuant to the reclassification and according to valuation made by professional appraisers the Company recorded an impairment of US$20,689 thousand.

12. PROPERTY, PLANT AND EQUIPMENT

	30/9/10 US$ '000	31/12/09 US$ '000
Balance 1 January	102,749	102,833
Additions	3,152	4,497
Depreciation for the period/year	(944)	(898)
Disposals	(116)	(357)
Impairment during the period	(12,882)	-
Effect of movements in foreign exchange rates	(569)	(3,326)
Balance 30 September / 31 December	91,390	102,749

Impairment during the period represents the decrease in fair value of the Kislovodsk area hotels "Kalinina" and "Versailles".

13. TRADING PROPERTIES

	30/9/10 US$ '000	31/12/09 US$ '000
Balance 1 January	42,050	-
Transfer from investment property under development	301	-
Transfer from trading properties under construction	-	58,236
Impairment during the period/year	(1,251)	(3,407)
Disposals	(13,051)	(13,622)
Effect of movements in foreign exchange rates	2,867	843
Balance 30 September / 31 December	30,916	42,050

Trading properties comprise of Four Winds II complex and Ozerkovskaya emb. 26 residential building complex. The Group has sold during the period a number of these residential flats.

14. TRADING PROPERTIES UNDER CONSTRUCTION

	30/9/10 US$ '000	31/12/09 US$ '000
Balance 1 January	171,229	271,035
Construction costs	1,819	8,382
Fair value adjustment	-	(12,641)
Transfer to trading properties	-	(58,236)
Transfer to investment property under development	-	(25,773)
Capitalised interest	488	2,162
Disposals	-	(5,463)
Effect of movements in exchange rates	637	(8,237)
Balance 30 September / 31 December	174,173	171,229

Trading properties under construction comprise of Botanic Garden and Otradnoye projects. Both projects involve primarily the construction of residential properties.

15. TRADE AND OTHER RECEIVABLES

	30/9/10 US$ '000	31/12/09 US$ '000
Advances to builders	35,530	38,763
Amounts receivable from related companies	4,944	5,258
Prepayments for acquisition of investments	10,000	10,000
Trade receivables	8,429	8,915
Other receivables	14,081	39,909
VAT recoverable	32,232	22,850
Tax receivables	1,079	1,053
	106,295	126,748

Advances to builders

Include an amount of US$1,139 thousand (31/12/2009: US$NIL) prepaid to Danya Cebus Rus LLC, related party of the Group, for the construction of the Moscow City mall.

Other receivables

Other receivable included on 31 December 2009 an amount of US$21,473 thousand prepaid to Straitline B.V. for the acquisition of 100% shareholding in Pinkerton Limited owning 100% of the share capital of JSC WTIC Mercury, registered in the Russian Federation with regard to the Moscow City Hotel project. On 5 May 2010 the Company received an amount of EUR14,010 thousand equivalent to US$18,353 thousand in full settlement of the above. The remaining balance of US$3,120 thousand together with additional prepayments for expenses and construction costs in relation to the same project of US$4,391 thousand, were recognised as impairment of prepayment for investment on 31 March 2010.

16. SHARE CAPITAL AND RESERVES

Share Capital	30/9/10 US$ '000	31/12/09 US$ '000
Authorised		
2,000,000,000 shares of US$0.001 each	2,000	
1,000,000,000 shares of US$0.001 each		1,000
Issued and fully paid		
523,847,027 A ordinary shares of US$0.001 each	524	524
523,847,027 B ordinary shares of US$0.001 each	524	-
	1,048	524

On 21 May 2010 the Company's AGM increased its authorized share capital to 2,000,000,000 shares of US$0.001 each. On 5 July 2010 the Company issued 523,847,027 B shares, which were admitted to a premium listing on the Official List of the UK Listing Authority and to trading on the main market of London Stock Exchange ("LSE"). The B shares were issued as a bonus issue to the shareholders on the basis of one B share for every one ordinary share held at close on 2 July 2010. The ordinary shares were then designated A ordinary shares, in accordance with approval granted at the Company's AGM on 21 May 2010. The company retained its GDR listing as well. Since then each GDR represents one A ordinary share.

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 was 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. On 5 July 2010 an amount of US$524 thousand was capitalised as a result of bonus issued as described in share capital note above.

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 974,855 GDRs were granted up to 30 September 2010 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 and the foreign exchange differences on loans designated as loans to an investee company which are accounted for as part of the investor's investment

(IAS21.15) as their repayment is not planned or likely to occur in the foreseeable future. These foreign exchange differences are recognised directly to Translation Reserve.

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 2010.

17. LOANS AND BORROWINGS

	30/9/10 US$ '000	31/12/09 US$ '000
Non-current liabilities		
Secured bank loans	381,029	312,096
Secured loan from non-related company	-	10,000
	381,029	322,096
Current liabilities		
Secured bank loans	14,038	10,087
Unsecured bank loans	-	49,566
Secured loan from non-related company	10,047	20,345
Unsecured loans from other non-related companies	14,470	14,007
	38,555	94,005

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

(i) Up to 30 September 2010 the company withdrew RUR 6,952 (31/12/2009: RUR 4,888) million as part of the non-revolving credit line of a total of RUR 8,448 million which was obtained from VTB Bank on 28 August 2008. This credit line initially carried interest of 14.25% (rouble terms) which increased to 16% (rouble terms) on April 2009. 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. On 26 July 2010 the Company reached an agreement with VTB Bank extending the repayment period by two years to August 2013 and lowering the interest rate to 13.25% (rouble terms).

(ii) A non-revolving credit line which was obtained from VTB Bank for RUR 1,488 million on 1 August 2008 and carried interest of 16% (rouble terms) was redeemed on 1 March 2010.

(iii) During the period the 50% owned subsidiary Krown Investments LLC has obtained a five year US$74 million loan from Sberbank. The loan is denominated in Russian Rouble and will be used to complete construction works at the Ozerkovskaya Embankment project, Phase III. It carries an initial interest rate of 13% which will be reduced to 11.75% at date when mortgage agreement will be presented to Sberbank. Up to 30 September 2010 the subsidiary withdrew RUR 238,2 million.

(iv) An additional four year US$20 million loan from Sberbank was obtained during the period. The loan is denominated in Russian Rouble and will be used for the reconstruction of Kalinina project. The loan carries an annual interest rate of

16.25%. Since 6th of October 2010 interest rate was decreased to 13.5%. Up to 30 September 2010 the company withdrew RUR20 million.

18. TRADE AND OTHER PAYABLES

	30/9/10 US$ '000	31/12/09 US$ '000
Trade payables	249	234
Payables to related parties	2,241	2,000
Amount payable to builders	13,465	12,983
VAT and other taxes payable	1,956	1,416
Down payments received for construction projects	-	1,484
Provisions for construction costs	113	625
Receipts in advance from sale of investment	45,867	70,311
Other payables	58,872	62,649
	122,763	151,702

Receipts in advance from sale of investment

On 6 August 2009, the Company has entered into a sale and purchase agreement for the Kosinskaya project, through the sale of subsidiary Rognerstar Finance Limited at which date it was reclassified as asset held for sale. Under the original terms, sale proceeds of US$195 million were expected to be received within one year, by August 2010. Up to 30 September 2010 the Company received US$73 million (31/12/2009: US$70 million) less expenses incurred in relation to the sale. As of the date of the financial statements the buyer has not paid the full amount and the title of the assets is still under the ownership of the Company. Due to the uncertainty of fulfillment the agreement and future date of closing, the company had decided to reclassify Kosinskaya project from assets classified as held for sale to investment property under development on 30 June 2010. Pursuant to the reclassification and according to valuation made by independent appraisers the Company recorded an impairment of US$20,689 thousand. In addition, the Company also decided to derecognise US$25 million from "receipts in advance from sale of investment" as this amount represents the minimum amount that is not refundable according to the contact.

Other payables

Include an amount of US$53,289 thousand (31/12/2009: US$57,508 thousand) payable to the 50% partner of the joint venture Krown Investments LLC.

19. 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 2009.

20. RELATED PARTIES

Outstanding balances with related parties	30/9/10 US$ '000	31/12/09 US$ '000
Assets		
Amounts receivable from ultimate holding company	296	503
Amounts receivable from joint ventures	4,572	4,384
Advances issued to other related companies	1,139	302
Amounts receivable from other related companies	76	372
Liabilities		
Amounts payable to ultimate holding company	-	266
Amounts payable to other related companies	2,241	1,735

Transactions with the key management personnel	30/9/10 US$ '000	30/9/09 US$ '000
Key management personnel compensation comprised:		
Short-term employee benefits	1,542	1,268

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The person is a member of the key management personnel of the entity or its parent (includes the immediate, intermediate or ultimate parent). Key management is not limited to directors; other members of the management team also may be key management.

Other related party transactions	30/9/10 US$ '000	30/9/09 US$ '000
Revenue		
Joint venture – consulting services	643	569
Joint venture – interest income	3,483	4,547
Key management personnel – interest income	-	23

21. GROUP ENTITIES

During the nine month period ended 30 September 2010 the Group did not acquire any subsidiaries.

During the year ended 31 December 2009 the Group acquired or incorporated 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.

60% of OOO Stroycapital, registered in the Russian Federation. OOO Stroycapital holds the land rights in Volgograd project.

22. SUBSEQUENT EVENTS

Subsequent to 30 September 2010 there were no events that took place which have a bearing on the understanding of these financial statements.