

26 April 2010

### **AFI Development PLC**

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#### **Notification of AFI Development PLC's Annual General Meeting and proposed bonus issue of 523,847,027 new B Ordinary Shares in relation to a proposed premium listing on the London Stock Exchange**

AFI Development PLC ("the Company"), a leading real estate operating and developing company in Russia, has today posted notice to holders of its ordinary shares ("Ordinary Shares") of its Annual General Meeting to be held on 21 May 2010.

At the Annual General Meeting holders of Ordinary Shares ("Shareholders") will be asked to approve certain proposals, including:

- (i) the re-designation of the Ordinary Shares to "A Ordinary Shares" and the creation of a new class of ordinary shares (the "B Ordinary Shares");
- (ii) the issue to Shareholders of record on the business day prior to the date of Admission (as defined below) of one B Ordinary Share for every Ordinary Share held on such date; and
- (iii) the adoption of new articles of association reflecting the Company's new share structure.

#### **Details of the Proposals**

In January 2010, the Board instructed management to review the possibility of seeking a premium listing on the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange for its Ordinary Shares, and to review whether such a listing could more fully reflect the Company's objectives and its potential future growth. It was concluded that the Company should seek a premium listing because, among other things, it was felt that the Company should go beyond the minimum regulatory standards required for its current GDR listing and meet the higher standards of corporate governance and disclosure demanded from a Company with a premium listing. In addition, the Company believes the heightened standards may in the long term increase the liquidity of its securities and enhance capital raising opportunities. Furthermore, this objective is supported by the Israeli Securities Authority as part of the debt restructuring of the Company's majority shareholder, Africa Israel Investments Ltd. ("Africa Israel"), which includes the exchange of certain of Africa Israel's outstanding bonds for global depositary receipts representing ca. 17.7% of the Company's Ordinary Shares owned by Africa Israel.

Accordingly, the Board will propose, at the Annual General Meeting, certain resolutions to the Shareholders which, if approved, will enable the Company to seek a premium listing of a new class of ordinary shares on the London Stock Exchange. A circular providing further

detail on the matters to be considered at the Annual General Meeting was posted to Shareholders on 26 April 2010, and is also available on the Company's website at [www.afi-development.ru/en](http://www.afi-development.ru/en).

The Company proposes to re-designate the Company's existing Ordinary Shares as "A Ordinary Shares" and create a new class of ordinary shares, the "B Ordinary Shares". A Shareholder holding Ordinary Shares as of 5 p.m. London time on the day that is one business day prior to Admission (a "Qualifying Shareholder") will receive one B Ordinary Share for every one Ordinary Share held on such date. The B Ordinary Shares will be issued by way of a bonus issue (the "Bonus Issue") to Qualifying Shareholders and will be issued on and conditional on Admission. In the event that Admission does not occur, the B Ordinary Shares will not be created and there will be no issue of B Ordinary Shares by the Company, and the Ordinary Shares will not be re-designated into A Ordinary Shares.

In the event that the Bonus Issue is approved, the A Ordinary Shares and the B Ordinary Shares will be separate classes of securities and will therefore confer different rights and restrictions on the holders.

On or about the date hereof, the Company has 523,847,020 global depositary receipts ("GDRs") outstanding representing Ordinary Shares deposited with the Bank of New York, resulting from the Company's initial public offering in 2007 and the conversion of its shareholders' shares into GDRs in April 2010. The Company has entered into an agreement with the Bank of New York Mellon ("BNY") pursuant to which BNY has been appointed to facilitate its GDR programme until 2014. Obtaining a premium listing of the Ordinary Shares would require the Company to terminate its agreement with BNY, which would result in the Company incurring material financial penalties. The Board considers that such termination would not therefore be in the best interests of Shareholders. As a result, the issue of B Ordinary Shares is being proposed as a Bonus Issue to existing holders of Ordinary Shares, so that the B Ordinary Shares can be the subject of a premium listing. This will achieve the Company's desire for a premium listing whilst keeping the GDR programme in effect.

Based on the 523,847,027 Ordinary Shares in issue on 23 April 2010, being the last practicable date prior to the publication of this document, and assuming that no further Ordinary Shares will be repurchased or issued prior to Admission, a total of 523,847,027 B Ordinary Shares will be issued pursuant to the Bonus Issue. It is proposed that the Directors be authorised to capitalise up to the sum of US\$523,847,027, being part of the amount standing to the credit of the share premium account of the Company, and apply such sum in paying up in full the B Ordinary Shares.

Conditional on approval of the certain of the resolutions being proposed, the Company intends to apply to the UK Listing Authority and to the London Stock Exchange respectively for all of the B Ordinary Shares to be (i) listed and admitted to the Official List and (ii) admitted to trading on the London Stock Exchange's main market for listed securities ("Admission").

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For further information, please contact:

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## **About AFI Development**

AFI Development PLC is one of the leading operating and developing real estate companies in Russia, with projects in Moscow, the Russian regions and Ukraine. Established in 2001, AFI Development PLC focuses on developing and redeveloping high quality commercial and residential real estate assets including offices, shopping centres, hotels, mixed-use properties, and residential projects. At present, AFI Development PLC is in the final stages of construction of Moscow's largest shopping mall at the heart of Moscow City, the capital's new business district.

In May of 2007, GDRs representing Ordinary Shares in AFI Development PLC were successfully admitted to the London Stock Exchange. Through its IPO the Company raised a total of approximately US\$1.4 billion.

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