22 November 2007

AFI Development plc (“AFI Development” / “Company”)

RESULTS FOR THE NINE MONTHS TO 30 SEPTEMBER 2007

AFI Development is pleased to announce further strong progress in the nine months to 30 September 2007.

Erez Meltzer, Chairman, commented:

“We have continued to make significant advances in delivering our strategy since 30 June 2007. We continue to make very strong progress in terms of our leasing and construction programmes, achieving rental levels well ahead of expectations, and are delighted to have been able to secure opportunities to consolidate some of our existing holdings by acquiring complementary sites. We have also continued to pursue new investment opportunities to strengthen further our project pipeline.

“We continue to regard the future with considerable excitement and look forward to providing our investors with news of further progress before the end of the year.”

Alexander Khaldey, Chief Executive, added:

“Strong demand for high quality Russian commercial and residential real estate assets, from both international and domestic investors and occupiers, continues to underpin our confidence in our ability to deliver significant capital growth for our shareholders. Our successful track record in sourcing, constructing and leasing landmark developments and assets positions us well within this dynamic marketplace and we are encouraged by the speed with which we are achieving important development milestones.

“The strength of our local presence and our management team’s successful track record in delivering high-quality projects continues to provide us with an important competitive advantage in the dynamic Russian property market.”

For further information, please contact:

AFI Development plc +7 (495) 796-9988
Igor Solomon
Alexander Chernov

Financial Dynamics, London +44 20 7831 3113
Stephanie Highett
Jamie Robertson

CHAIRMAN’S AND CHIEF EXECUTIVE’S STATEMENT

We are pleased to report further progress and high levels of activity since our last set of results to 30 June 2007. The strength of our local presence and our management team’s successful track record in delivering high-quality projects continues to provide us with an important competitive advantage in the dynamic Russian property market. As a result, we have been able to take advantage of strong ongoing market fundamentals, particularly in the office sector, where we have made further acquisitions in line with our previously stated strategic objectives and secured a number of blue-chip international tenants at our Four Winds scheme in Moscow.

We have also made significant strides in consolidating our portfolio of existing sites and progressing the construction and planning programmes of our major development schemes. We were also particularly pleased to have acquired during the period a number of adjacent plots to our existing holdings at attractive prices. Our ability to increase the portfolio and cluster more plots into single, mixed-use sites has been a key feature of the period.

In addition, in the face of more challenging credit markets across the globe, we were delighted to have further strengthened our financial firepower by securing financing facilities totalling US$280 million at asset level, from a leading local Russian lending institution in the period since 30 June 2007.

Results

Our financial performance for the nine months to 30 September 2007 is headlined by a rise in pre-tax profit to US$103.6 million, compared to US$1.7 million for the same period past year.

Valuation

A full valuation update will be provided to shareholders with the Company’s preliminary final results statement for 2007.

Strategic Direction

Russia’s market fundamentals, with demand exceeding supply across all our core sectors, continues to support the Company’s stated focus on higher-yielding prime office and retail assets. We will also maintain our existing exit strategy following the development of residential properties where, as a rule, we seek to divest our residential properties and recycle our capital into the higher yielding commercial market.

We see continued opportunities in Moscow and in regional cities that we have identified for imminent expansion. We are also monitoring a number of other developing cities where we have identified specific opportunities, while retaining our core focus on the Moscow market for the foreseeable future.

In addition, we continue to see considerable demand for high quality office, retail and mixed-use real estate developments, particularly in Moscow, which continue to attract a broad range of international and domestic tenants at highly attractive rents. As mentioned above – and described in more detail below – this demand was illustrated clearly by our securing a number of blue-chip occupiers for our Four Winds scheme.

Economic growth in Russia’s regional capitals continues to be stable. In line with this strategy we have expanded our activities and presence in the St Petersburg, Perm and Volgograd markets and continue to assess further such opportunities.

AFI Development is well positioned to continue to meet its investment objectives and deliver the business plan as outlined in its Prospectus. We are also encouraged by the strong pipeline of assets that continues to be identified by the Company, both on and off market. We also see strong potential to create and enhance shareholder value from our existing properties through active asset management.

Finally, we continue to actively manage our balance sheet by cautiously increasing the scale of gearing for our largest commercial projects, moving steadily closer to our goal of financing 70% of total project development costs through debt.

Major Acquisitions and Portfolio Enhancements since 30 June 2007

AFI Development has made a number of important acquisitions to strengthen and enhance its portfolio during and after the Q3 reporting period.

The key events were as follows:

Botanic Garden

We are pleased to announce today the addition of a fifth new project to the Company's portfolio since the IPO. A 51% stake in the development project was acquired for US$20.4 million.

The project is located in Northern Moscow, on the 4th Transportation Ring in the vicinity of the "Botanic Garden" metro station, and is part of the City's plan for the New High Rise Buildings Ring of Moscow. The project consists of three residential towers of between 35 and 45 floors, plus commercial space and underground parking. The total built-up area is 187,000 sq. m., of which 67,000 sq.m. of the Gross Sellable Area ("GSA") is residential and 14,700 sq.m. of the Gross Lettable Area ("GLA") is commercial. The project also includes 1,300 underground parking places. In addition, ground works at the project have already begun, with the removal of the utilities on the site.

Pochtovaya

In July we entered into an agreement to acquire buildings totalling 24,126 sq. m. on the Yauza River front on Bolshaya Pochtovaya Street in the Central Administrative District of the City of Moscow. We also acquired the adjoining development rights in the form of an Act of Permitted Use, or the final zoning, for the construction of a mixed use facility with a total built area of 231,680 sq. m. on a 2.67 hectare plot. Following the reporting period, in October, we announced the acquisition for US$37 million of an additional 2.2 hectares of land to further consolidate our holding in this prime location. The acquisition will enable the development of Pochtovaya Phase II, for which we are currently developing the concept masterplan.

Tverskaya Zastava - Plaza IV

In October, AFI Development increased its stake in the holding company of Plaza IV, part of its Tverskaya Zastava redevelopment project, from 25% to 95%. The Company paid US$82.88 million to purchase this additional 70%. In addition, it has negotiated an unconditional option to buy the remaining 5% held by the vendor at US$1.424 million for each additional 1% that it decides to purchase.

As a result of this acquisition, the Company has effectively terminated its 50-50 development partnership with the vendor of Plaza IV's parent company.

Upon completion, Plaza IV is expected to comprise a total of 63,278 sq. m. of Class A office space, 2,976 sq. m. of retail space and 25,000 sq. m. of underground parking. The aggregate GLA of all the phases of Tverskaya Zastava redevelopment project, including the shopping centre, is expected to total 465,115 sq. m.

Volgograd

Also in October, the Company completed the purchase of the holding company for the Volgograd project, thereby increasing its stake in the scheme to 100%. The holding company is party to an investment agreement with Volgograd's city administration for the development of a mixed-use project comprising a total built area of 150,000 sq. m. that is expected, on completion, to include retail space, office space, a hotel and parking spaces. A detailed architecture concept is currently being developed.

Prior to this transaction, AFI Development held a 78% stake in the project and was obliged to finance 100% of the development costs. The Company paid an aggregate amount of approximately US$17 million for its 100% stake in the project.

Leasing Update

We have made exciting progress at our Four Winds office development in Moscow, with the announcement in October of several major lettings. The Company let 4,900 sq. m. of office space to Morgan Stanley, an international investment bank. In addition, space totalling over 10,900 sq. m. was let to Moody's, Total, another international bank and other tenants. The leases are for five and seven years and Four Winds will be home to each company's Russian headquarters. As a result of the lettings, 87% of the building's total office space has been let.

Four Winds is a mixed-use development which forms part of the Company's Tverskaya Zastava project. The development is being delivered in two phases. The office element is due for completion in the fourth quarter of 2007, a quarter ahead of schedule, and the residential phase is due for completion during the first quarter of 2008. The first phase of the development comprises 17,556 sq. m. of Class A office space, 3,416 sq. m. of retail space and 5,016 sq. m. of underground parking. The second phase includes 17,875 sq. m. of residential apartments, 1,008 sq. m. of retail space, a 3,846 sq. m. fitness centre and 13,692 sq. m. of underground parking.

Board Changes

As announced today, we have further strengthened the Board with the appointment of Mr. John Porter as a Non-Executive Director. Mr. Porter also joins the Audit Committee and the Remuneration Committee of the Board. We are delighted to welcome Mr. Porter to the Board and look forward to benefiting from his extensive experience.

As announced in August, but within the reporting period, we were pleased to have appointed Avi Barzilay, who was already a Director of AFI, as Chief Financial Officer.

Project milestones

The Company has achieved the following project milestones during and following the reporting period:

Moscow City

- Construction of this 115,000 sq. m. GLA shopping mall is progressing well and we have begun marketing the units to domestic and international retailers. Colliers International is the sole letting agent.

Kuntsevo

- We have begun the process of relocating the tenants located within the land plot approved for the Kuntsevo project development. We have concluded our first transaction in this regard for the aggregate amount of US$4 million.

Otradnoye

- We have obtained the final approval for the Phase I of project planning from the local authorities and anticipate commencing the construction of Phase I of this major 32-hectare neighbourhood project within several weeks. Phase I will comprise the development of 150,000 sq. m. of GSA.

Ozerkovskaya Embankment

- The construction of Phase II is progressing well, with 55% of the hotel and residential area completed ahead of schedule.

- The Aquamarine II office building was pre-leased to a single tenant at US$13.4 million per annum in March 2007 and is expected to be fully income producing in Q1 2008.

- The sales of the residential elements of the scheme have progressed as planned, with 20 units (representing 18%) sold for a total of US$23.6 million, reflecting an average price of US$9,490 per sq. m.

Tverskaya Zastava

- The construction of this underground shopping mall and traffic interchange is progressing well and we have to date completed the following key elements of the project:

    - The construction of 12% of the slurry wall
    - The works related to the second stage of the preparatory works, including the ground engineering works
    - The first re-routing of the traffic flows on the Tverskaya Zastava Square as required by the construction plan and schedule.

  We have also completed the assembly of the 4m diameter tunneling machine for the construction of surface water sewers on the Gruzinsky Val Street.

- Our sole letting agent for the scheme, Colliers International, is making good progress with the marketing campaign.

- We have obtained a Moscow City Government Resolution, under which we will renovate the bridge that connects Tverskaya Street and Leningradsky Prospect and extend the Tverskaya Zastava traffic interchange. This will enable us to exercise greater control over the construction schedule of this important infrastructure facility. Additionally, our involvement in this key infrastructure project, which will directly benefit the City of Moscow, will enable AFI Development to secure permission for approximately 600 additional parking spaces at our Tverskaya Zastava scheme. The costs of the bridge renovation are expected to be offset against our cost of acquiring the land for the commercial developments on and around the Tverskaya Zastava Square.

- We increased our stake in Plaza IV to 95% with a call option for the remaining 5%, as described above.

- Architecture firm Wilmotte UK has completed initial designs for Plaza I and Plaza II. We expect both design concepts to be granted the relevant planning approvals ahead of the final zoning and working design stage during the first half of 2008.

- Four Winds – as announced to shareholders in October 2007, 87% of the office space has been pre-let. Tenants include Morgan Stanley, Moody's and Total. Average rents are US$1,447 per sq.m. per annum, excluding VAT and expenses.

Pochtovaya

- We have acquired a 2.2 hectare land plot for the development of Phase II, thereby increasing the clustered land plot secured for the development of the Pochtovaya project to 4.8 hectares.

- We have commenced work on a comprehensive masterplan for Phases I and II and anticipate commencing construction of Phase I in the second quarter of 2008.

- This is a comprehensive neighborhood development that is expected to include office space, residential space, a hotel, retail space and underground parking.

Kossinskaya

- Refurbishment of the office building is progressing, with completion expected by the end of this year

- Marketing of the building has already commenced

- The concept design for the retail element of the scheme is being progressed

Berezhkovskaya

- To date, we have let 59% of Phase I of this office development at an average rental of US$790 per sq. m. before VAT and operational expenses.

Kislovodsk

- As announced in our Interim Announcement in September, we have signed an investment contract with the Administration of Kislovodsk, a resort town in the south of Russia, for the redevelopment of the Old Lake, which is the only body of water located in the town. Under the investment contract, we undertook to improve and regenerate the Old Lake and we have subsequently received the right to develop a spa hotel, residential units, together with retail and entertainment facilities on a land plot with a total area of 7.56 hectares. We have signed a three-year land lease agreement with regard to this project.

- We are currently finalizing the marketing concept and working on the architectural plans for this project.

Market

Russia's economic and real estate market remains buoyant, with the Russian economy still regarded as fast-growing. The rise of the middle class means an increasingly affluent society and this is reflected both in the demand for high quality residential property and by high retail turnover. GDP growth rates in Russia are high compared to those in many industrialised countries.

The Russian real estate market retains strong fundamentals, with growth still forecast across all sectors. Real estate funds remain active in the area, bringing with them more sophisticated and transparent real estate investment management skills. By illustration, according to October 2007 figures from international agents, Cushman & Wakefield, there has been a 25.1% increase in prime office rental rates and 8.1% increase in shopping mall rental rates during that month.

Demand for quality real estate assets, whether from tenants, investors or private residential purchasers currently outstrips supply and we do not anticipate this demand abating.

Outlook

We continue to make significant steps forward in delivering our strategy. We are making excellent progress in terms of getting on site to start the construction of our schemes and we are delighted to have secured opportunities to consolidate some of our pipeline assets by acquiring complementary plots. We have also continued to pursue new investment opportunities.

With continuing strong demand for high quality commercial and residential real estate assets, both from investors and occupiers in Moscow as well as in the regional cities, we are confident that AFI

Development is well positioned in the marketplace and has a strong platform from which to continue to deliver significant capital growth for the benefit of all our shareholders going forward.

Erez Meltzer, Chairman of AFI Development, and Alexander Khaldey, Chief Executive
22 November 2007

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 2007 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".

Chartered Accountants

Nicosia, 21 November 2007

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period from 1 January 2007 to 30 September 2007

	Note	1/1/07-30/9/07 US$ '000	1/1/06-30/9/06 US$ '000
Revenue			
Construction consulting/management services		2,229	998
Rental income		3,825	862
		6,054	1,860
Other income		62	3
Operating expenses		(3,529)	(883)
Administrative expenses		(5,889)	(2,166)
		(3,302)	(1,186)
Profit on disposal of investment in subsidiaries		-	6,976
Valuation gains on investment property	5	50,561	-
Results from operating activities		47,259	5,790
Finance income		57,292	1,099
Finance expenses		(959)	(5,182)
Net finance income/(costs)		56,333	(4,083)
Profit before income tax		103,592	1,707
Income tax expense		(17,679)	(145)
Profit from continuing operations		85,913	1,562
Loss from discontinued operations (net of income tax)		(747)	-
Profit for the period		85,166	1,562
Attributable to:			
Equity holders of the Company		85,327	1,562
Minority interest		(161)	-
Profit for the period		85,166	1,562
Basic earnings per share (cent)		17.76	0.37
Diluted earnings per share (cent)		17.72	0.37
Continuing operations:			
Basic earnings per share (cent)		17.92	0.37
Diluted earnings per share (cent)		17.88	0.37

The notes below 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 2007 to 30 September 2007

	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 2006	2	3	649	63,761	64,415	-	64,415
Profit for the period	-	-	-	1,562	1,562	-	1,562
Translation adjustments	-	-	3,640	-	3,640	-	3,640
Balance at 30 September 2006	2	3	4,289	65,323	69,617	-	69,617

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2007

	Note	30/9/07 US$ '000	31/12/06 US$ '000
Assets			
Investment property	5	93,936	-
Investment properties under development	6	910,702	363,708
Investments	7	35,414	-
Property, plant and equipment		2,121	986
Long-term loans receivable		3,252	144
VAT recoverable		17,407	9,843
Goodwill		150	150
Total non-current assets		1,062,982	374,831
Trading properties under construction	8	94,825	79,044
Inventory		249	11
Short-term loans receivable		5,981	3,953
Trade and other receivables	9	257,938	199,577
Cash and cash equivalents		982,530	26,272
Assets classified as held for sale		-	3,441
Total current assets		1,341,523	312,298
Total assets		2,404,505	687,129
Equity			
Share capital		524	424
Share premium		1,758,454	421,325
Translation reserve		(662)	6,047
Retained earnings		261,568	175,745
Total equity attributable to equity holders of the Company	10	2,019,884	603,541
Minority interest		208	-
Total equity		2,020,092	603,541
Liabilities			
Long-term loans and borrowings	11	286,802	61,746
Deferred tax liability		12,614	122
Total non-current liabilities		299,416	61,868
Short-term loans and borrowings	11	28,788	14,786
Trade and other payables	12	49,400	5,869
Income tax payable		2,470	950
Deferred income		4,339	115
Total current liabilities		84,997	21,720
Total liabilities		384,413	83,588
Total equity and liabilities		2,404,505	687,129

The condensed consolidated interim financial statements were approved by the Board of Directors on the 21 November 2007.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January 2007 to 30 September 2007

	1/1/07- 30/9/07 US$'000	1/1/06- 30/9/06 US$'000
Cash flows from operating activities		
Profit for the period	103,592	1,707
Adjustments for:		
Depreciation	495	326
Interest income	(28,923)	(526)
Interest expense	959	3,094
Share option expense	496	-
Fair value adjustment	(50,561)	-
Gain on sale of investment in subsidiaries	-	(6,973)
Loss from sale of property, plant and equipment	361	(7)
	26,419	(2,379)
(Increase)/decrease in trade and other receivables	(21,408)	6,343
(Increase)/decrease in inventories	(234)	1
Increase in trading properties under construction	(13,020)	(19,332)
Decrease in assets held for sale	3,441	-
Increase in trade and other payables	38,032	20,088
Increase in deferred income	4,215	117
	37,445	4,838
Income taxes paid	(4,046)	(107)
Net cash flow from operating activities	33,399	4,731
Cash flows from investing activities		
Interest received	26,133	521
Proceeds from sale of investments	137,760	13,496
Net cash outflow from the acquisition of subsidiaries	(437,033)	(33,356)
Proceeds from sale of property, plant and equipment	12	36
Increase in advances to builders	(88,650)	(9,146)
Payments for investment properties under development	(113,226)	(147,140)
Prepayments for investment properties under development	(75,162)	-
Payments for acquisition of investments	(35,414)	-
Increase in VAT recoverable	(6,837)	(3,909)
Payments for acquisition of property, plant and equipment	(1,621)	(746)
Net cash flow from investing activities	(594,038)	(180,244)
Cash flows from financing activities		
Proceeds from issuance of shares and listing of GDRs	1,337,229	-
Payments for offering loans receivable	(4,961)	(7,171)
Proceeds from repayment of loans receivable	4,587	3,879
Proceeds from loans and borrowings	219,048	182,381
Repayment of loans and borrowings	(24,211)	(4,765)
Interest paid	(5,212)	-
Net cash flow from financing activities	1,526,480	174,324
Effect of exchange rate fluctuations	(9,583)	2,382
Increase in cash and cash equivalents	956,258	1,193
Cash and cash equivalents at 1 January	26,272	11,521
Cash and cash equivalents at 30 September	982,530	12,714
The cash and cash equivalents consist of:		
Cash at banks	982,521	12,691

Cash in hand	9	23
	982,530	12,714

The notes below 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 2007 to 30 September 2007

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 March 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 71.53% indirect subsidiary of Africa Israel Investments Group which is listed in the Tel Aviv Stock Exchange (TASE) and 9.7% of its share capital is held by Nirro Group S.A. 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 2007 to 30 September 2007 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 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed interim 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 2006.

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. Except as described below, 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 2006.

During the nine months ended 30 September 2007 management has assessed the fair value of certain completed properties reclassified as investment properties based on independent appraiser valuations.

5. INVESTMENT PROPERTY

	30/9/07 US$ '000	31/12/06 US$ '000
Balance 1 January		
Transfer from investment properties under development	43,969	-
Fair value adjustment	50,561	-
Effect of movement in foreign exchange rates	(594)	-
Balance 30 September/ 31 December	93,936	-

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.

Investment property comprises the building H_2O which is part of the Paveletskaya development and the building situated in Bolshaya Tatarskaya Street 35 which is part of "Aquamarine" complex. Both buildings were completed, renovated and constructed respectively and were ready for their intended use during the nine-month period ended 30 September 2007.

6. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	30/9/07 US$ '000	31/12/06 US$ '000
Balance 1 January	363,708	185,073
Additions due to acquisitions of subsidiaries	465,096	77,429
Construction costs	113,226	124,613
Capitalised interest	9,326	14,995
Transfer from property, plant and equipment	-	37
Disposals	-	(39,610)
Transfer to investment property	(43,969)	-
Effect of movement in foreign exchange rates	3,315	1,171
Balance 30 September/ 31 December	910,702	363,708

7. INVESTMENTS

Represent an amount paid for the acquisition of 25% shareholding of Beslaville Management Ltd from Hogan Management Ltd. The share purchase and subscription agreement provides for the acquisition of an additional 25% for the price of US$35 million. Beslaville is the owner of properties, land and buildings, situated in Moscow which are required for the completion of the Tverskaya Zastava Plaza IV project.

8. TRADING PROPERTIES UNDER CONSTRUCTION

	30/9/07 US$ '000	31/12/06 US$ '000
Balance 1 January	79,044	26,806
Additions due to acquisitions	-	34,624
Construction costs	13,020	25,654
Capitalised interest	2,574	2,937
Disposal	-	(11,433)
Effect of movements in exchange rates	187	456
Balance 30 September / 31 December	94,825	79,044

9. TRADE AND OTHER RECEIVABLES

	30/9/07 US$ '000	31/12/06 US$ '000
Receivable from sale of investments	715	138,475
Amounts receivable from related companies	989	149
Advances to builders	131,300	41,098
Prepayments for acquisition of investments	75,162	-
Trade receivables	26,740	12,319
Other receivables	15,395	6,950
VAT recoverable	7,341	551
Tax receivables	296	35
	257,938	199,577

Prepayments for acquisition of investments:

Includes an amount of US$30,254 thousand prepaid for the acquisition of 100% shareholding of OOO Milinar and an amount of US$44,507 thousand prepaid for the acquisition of 100% of Western Key Properties Ltd.

10. SHARE CAPITAL AND RESERVES

Share Capital	30/9/07 US$ '000	31/12/06 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	
423,847,027 shares of US$0.001 each		424

10. SHARE CAPITAL AND RESERVES (continued)

On 11 May 2007 the Company was successful in having its global depositary receipts "GDRs" admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange. 100,000,000 GDRs were issued for the purposes of the offering which represent new shares issued by the Company and held under custody of Bank of New York. Each GDR had an offer price of US$14. A total of approximately US$1.34 billion has been raised and will be used to finance the Group real estate activities.

Share premium

The movement of the period represents the share premium on the issued shares which were represented by GDRs listed in the LSE as explained above. It's 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.

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 holding company 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 grand.

Options over 3,852,797 GDRs were granted as at 30 September 2007 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.

11. LOANS AND BORROWINGS

	30/9/07 US$ '000	31/12/06 US$ '000
Long-term loans		
Secured bank loans	269,308	61,684
Unsecured loan from shareholder	316	-
Unsecured loan from joint venture	69	62
Secured loan from related company	3,093	-
Secured loan from non related company	14,016	-
	286,802	61,746
Short-term loans		
Secured bank loan	23,761	10,517
Unsecured loan from joint venture	518	462
Unsecured loans from other related companies	3,813	3,807
Secured loans from non-related companies	696	-
	28,788	14,786

11. LOANS AND BORROWINGS (continued)

A long-term secured bank loan of US$200 million has been granted to AFI Development Plc during the nine month period ending 30 September 2007 from Deutsche Bank AG, London Branch. The loan, which is denominated in US dollars, carries interest of 1.45% above 6 months USD LIBOR and is repayable on 23 August 2008. Guarantor of the borrower's obligations is Africa Israel Investments, registered in Israel, which is the ultimate shareholder of the Company.

A non-revolving credit line was obtained from the Savings Bank of the Russian Federation ("Sberbank") for US$280 million during the nine month period ending 30 September 2007. Up to 30 September 2007 US$417 thousand were obtained. The funds drawn under the credit line will be used to finance the construction of the Tverskaya Zastava Shopping Centre project. 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 when completed.

The available credit line of the loan from MDM Bank Plc to Westec Four Winds Ltd has increased by Euro 12,033 thousand, during the nine-month period ending 30 September 2007, to Euro 55,593, out of which only Euro 33,404 thousand were drawn (the Group's 50% share is Euro 16,702).

12. TRADE AND OTHER PAYABLES

	30/9/07 US$ '000	31/12/06 US$ '000
Trade payables	465	1,305
Amounts payable to related companies	385	420
Amounts payable to builders	4,928	581
Down payments received for construction projects	12,809	542
VAT and other taxes payable	2,611	253
Other payables	28,202	2,768
	49,400	5,869

Other payables

Includes an amount of US$18,848 thousand owed for the acquisition of 100% shareholding of OOO Titon and 100% shareholding of ZAO UMM Stroyenergomekhanizatsiya and an amount of US$5,299 thousand owed for the acquisition of 98.6% shareholding of CJSC MTOK. The first amount is owed to Asnar Management Limited to be paid in installments the last of which will be no later than 1 October 2007 and the second is owed to Manhattan Alliance Inc.

13. 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 2006.

14. GROUP ENTITIES

During the nine-month period ended 30 September 2007 the Group acquired the following:

100% of ZAO Armand, 100% of OOO Volga StroyInkom Development and 100% of OOO Volga Land Development, 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 established ZAO Kama Gate in the Russian Federation, as a joint venture with each owning 50% of its share capital.

OOO Bizar who is the owner of two non-residential buildings. The Company, intents to increase its share subject to acquisition of two additional buildings by OOO Bizar. The total percentage of ownership will be 74%.

100% of Keyiri Trading & Investments Limited, a Cypriot company that holds 100% of OOO Favorit. Favorit, a Russian registered entity, holds 76% interest in the land plot on which the St. Petersburg project will be located. KO Proekt, subsidiary of Buildola Properties Limited 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 Tverskaya Zastava Plaza II project. The Group's intention is to acquire all the charter capital of the entity.

100% shareholding of OOO Titon LLC and ZAO UMM Stroyenergomekhanizatsiya, registered in Russia. 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 Rognestar Finance Ltd a Cypriot newly registered company which was incorporated during the period owned 100% by the Company.

100% of Hermielson Investments Ltd, a Cypriot company that holds 100% shareholding of ZAO Firm Gloria, registered in Russia which holds the legal rights of leasing a land plot with a total area of 2.67 hectares and 24,126 sq. m. of built up facilities on the Yauza River on Bolshaya Pochtovaya Street in the Central Administrative District of the City of Moscow.

100% shareholding of Bundle Trading Ltd, a Cypriot company that acquired 100% shareholding of ZAO MTOK registered in Russia.

51% shareholding of Bioka Investments Ltd, a Cypriot company which acquired 100% shareholding of OOO Nordservis, which is registered in Russia. 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 complex located at Serebriakova passage in Moscow.

15. SUBSEQUENT EVENTS

The following events have taken place during the period and will be completed after the period end:

On 12 February 2007, the Group entered into an agreement with Ramis, regarding the purchase of a 100% participatory interest in the charter capital of OOO Milinar, a Russian limited liability company, which is holding or will be holding ownership rights to buildings located at Leninskaya Sloboda str., 19 with a total area of 96,217.6 sq. m. called Dinamo project. The Group's total investment in the acquisition of the participatory interest in OOO Milinar will approximately amount to US$149 million out of which approximately US$30 million were prepaid in the nine-month period ended 30 September 2007.

The following events have taken place subsequent to 30 September 2007:

The Company increased its shareholding in Beslaville Management Ltd from 25% to 95% and has paid US$83 million to acquire the additional 70% shareholding. Up to 30 September 2007 the 25% shareholding in the company is recorded as an investment. Beslaville Management Ltd owns 100% shareholding in OOO Zheldoruslugi registered in Russia, thus the Group has increased its shareholding in this company from 25% to 95%. OOO Zheldoruslugi is holding ownership rights to land plots and buildings at 11, Gruzinskiy val, Moscow, which are part of the Plaza IV project (part of the Tverskaya Zastava mixed use redevelopment project). In addition, the Company has concluded an agreement to buy out the remaining 5% in Beslaville Management Ltd, with the pre-agreed price of US$1.424 million per each additional 1% in the company.

On 9 October 2007, the Group through Rubiosa Management Ltd, a Cypriot subsidiary, has signed a share purchase agreement for the acquisition of 100% membership interest in OOO Avtograd, which is registered in Russia. OOO Avtograd is an investor to an investment agreement with the Volgograd government for the construction of a multi-purpose complex located at Bolonina st.1, in Volgograd with a total area of 165,000 sq.m.