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

18 August 2009

AFI DEVELOPMENT PLC

RESULTS FOR THE SIX MONTHS TO 30 JUNE 2009

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

Financial Highlights:

H1 2009

- Profit before tax for six months to 30 June 2009 was US$277.3 million compared to US$110 million for six months to 30 June 2008
- Net profit for six months to 30 June 2009 was US$215.1 million compared to US$97.3 million for six months to 30 June 2008
- Revenues increased to US$29.9 million for six months to 30 June 2009 compared to US$12.6 million for six months to 30 June 2008
- Cash position remains strong with US$132.5 million in cash and cash equivalents as at 30 June 2009

Q2 2009

- Loss was US$245.4 million for Q2 2009 compared to a profit of US$40.3 million for Q2 2008
- Net loss was US$201.7 million in Q2 2009 compared to a net profit of US$28.5 million in Q2 2008
- Revenues increased to US$12.8 million in Q2 2009 compared to US$6.8 million in Q2 2009
- Our loss for Q2 2009 stems from the decrease in the value of some of our investment properties under development since Q1 2009, which led to an impairment recorded to their book value totaling US$297 million. After the end of the reporting period we sold our Kossinskaya project to a non-related third party for US$195 million, reflecting a premium of US$44.2 million to its book value. The cumulative effect of the impairment and of the sale after the tax was US$211.6 million

Q2 2009 Operational Highlights:

- Continued progress in leasing activity for the Mall of Russia development with lease agreements reflecting total take-up of circa 30%, with an additional 30% to 35% covered by non-binding letters of intent and memoranda of understanding
- A less marked downward pressure continues to affect the real estate market in Moscow across all asset classes

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

"Our first half results were adversely affected by the continuing decrease in the values of our properties under development. At the same time as evidenced by the sale of our Kossinskaya project at significant premium to its book value, we believe that our projects continue to have potential for revaluation gain in future.

Aside from the impact of revaluations resulting from the current economic uncertainty, we have seen a steady growth in lettings. Although funding remains scarce across the market, our cash resources, reinforced by the recent Kossinskaya sale, mean that we are better placed than many other developers to cope with the challenges of this still volatile market. We are focusing on Mall of Russia which will now be positioned as one of the few new high quality retail centres to be opening in Moscow in 2010. This will strengthen the Mall's ability to attract major operators as tenants, as shown by our recent leasing agreement with Inditex and its major brands such as Zara and Bershka."

- ends -

For further information, please contact:

AFI Development

Natalia Ivanova +7 495 796 9988
Igor Solomon

Citigate Dewe Rogerson, London +44 20 7638 9571

David Westover
Sandra Novakov
Lucie Holloway

Chairman's & Chief Executive's Statement

In the second quarter of 2009 we continued to experience volatile market conditions with regard to all classes of real estate in the Moscow property market. At the same time, we have seen some improvement in both letting and investment activity as demonstrated by the sale of our Kossinskaya project for US$195 million and the accelerated pace of lettings at the Mall of Russia.

Completion of construction and leasing of the Mall of Russia continues to be the key priority for the Company in the short term. We continue to witness increasing interest in this property, as evidenced by further lease agreements signed with major international and local retail operators, e.g. Inditex (including the following brands: Zara, Massimo Dutti, Bershka, Pull & Bear, Stradivarius, Oysho) (4,500 sq.m.), Douglas (750 sq.m.), Snezhnaya Koroleva (1,250 sq.m.), Profi Sport (1,150 sq.m.), adding to brands like H&M, Karen Millen, Baldinini, Fabi, No One, van Laack, Yves Rocher, Dr. Koffer, Piquardo, Soyuz and others, bringing the total take-up in the Mall of Russia to circa 30% with an additional 30% to 35% covered by non-binding letters of intent and memoranda of understanding that are scheduled for conversion into lease agreements in the coming months.

Our development work on the Mall of Russia is progressing towards the opening, although, as some of the infrastructure and surrounding public facilities works, that are beyond our responsibility, are currently behind schedule, we have decided to delay the opening of the Mall to the first half of 2010.

Results:

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

As explained above, we have instructed JLL to undertake a review of our portfolio of assets in order to determine whether there was a material change in the values as compared to the first quarter 2009. As a result of this initial review, we have identified 6 properties, whose values were materially impacted during the first quarter 2009. These properties are the Mall of Russia, Tverskaya Shopping Center and Plazas I, II and IV, and

Paveletskaya Embankment. This led to an impairment of US$297 million in our financial statements for the second quarter of 2009.

At the same time, we have adjusted the value of our Kossinskaya project to US$195 million based on its sale to a third party. The aggregate effect of the impairment and the upward adjustment led to a loss of US$245.4 million in the second quarter of 2009 compared to a profit of US$ 40.3 million in the second quarter of 2008. Net loss for the second quarter of 2009 was US$201.7 million as compared to a net profit of US$28.5 million in the second quarter of 2008.

The loss recorded in the second quarter of 2009 offsets part of the profit recorded in the first quarter of 2009 resulting in an aggregate profit of US$277.3 million for the year to date and net profit of US$215.1 million for the year to date compared to US$110 million and US$97.3 million for the same period of 2008 respectively.

Revenues increased to US$12.8 million in the second quarter of 2009 compared to US$6.8 million for the second quarter of 2008. This increase is attributable to the rental income from our completed yielding properties and to residential sales. Revenues for the year to date were US$29.9 million compared to US$12.6 million for the same period of 2008.

Cash and cash equivalents for the second quarter of 2009 are US$ 132.5 million.

Strategic update:

As of the end of the second quarter of 2009, financing remains extremely scarce and the demand for all asset classes continues to suffer, leading to further downward pressure on market values. At the same time we have witnessed a slight improvement in market conditions, both locally and globally, manifested by the sale of our Kossinskaya project at a price reflecting a significant premium to the latest valuation and to the book value. The improvement in market conditions is also reflected in the accelerating pace of lettings at our Mall of Russia project. We are continuing to manage our business through current conditions for the long-term. We are maintaining our strong existing liquidity levels and optimising our current portfolio. We believe our actions now will also add long-term value to projects in our portfolio by progressing the necessary pre-construction permits, with the aim of resulting in value creation when market conditions improve.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2009 to 30 June 2009

AFI DEVELOPMENT LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2009 to 30 June 2009

C O N T E N T S

KPMG Limited
Chartered Accountants
14 Esperidon Street
1087 Nicosia, Cyprus
P.O.Box. 21121
1502 Nicosia, Cyprus

Telephone +357 22 209000
Telefax +357 22 678200
Website www.kpmg.com.cy

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AFI Development PLC as at 30 June 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes (interim financial information). The Company's Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

KPMG Limited

Chartered Accountants

Nicosia, 17 August 2009

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period from 1 January 2009 to 30 June 2009

	Note	1/1/09-30/6/09 US$ '000	1/1/08-30/6/08 US$ '000
Revenue			
Rental income		17,845	11,604
Construction consulting/management services		416	949
		18,261	12,553
Other income		4,341	101
Operating expenses		(4,036)	(5,566)
Administrative expenses		(6,663)	(10,585)
Other expenses		(464)	-
		11,439	(3,497)
Profit on disposal of investments in subsidiaries		23	249
Valuation gains on investment properties	6, 7	262,315	65,253
Impairment losses on trading properties	9, 10	(16,048)	-
Net valuation gains		246,267	65,253
Proceeds from sale of trading properties		11,589	-
Carrying value of trading properties sold		(8,356)	-
Profit on disposal of trading properties		3,233	-
Results from operating activities		260,962	62,005
Finance income		16,824	48,721
Finance expenses		(516)	(724)
Net finance income		16,308	47,997
Profit before income tax		277,270	110,002
Income tax expense	5	(62,120)	(12,712)
Profit for the period		215,150	97,290
Attributable to:			
Owners of the parent		214,624	96,909
Non-controlling interest		526	381
Profit for the period		215,150	97,290
Earnings per share			
Basic and diluted earnings per share (cent)		40.97	18.50

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2009 to 30 June 2009

	1/1/09-30/6/09 US$ '000	1/1/08-30/6/08 US$ '000
Profit for the period	215,150	97,290
Other comprehensive income:		
Exchange difference on translating foreign operations	(49,094)	6,841
Share option expense	685	1,247
Total comprehensive income for the period	166,741	105,378
Total comprehensive income attributable to:		
Owners of the parent	166,330	104,417
Non-controlling interest	411	961
	166,741	105,378

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2009 to 30 June 2009

	Attributable to the owners of the parent					Non-controlling Interest	Total
	Share capital US$ '000	Share premium US$ '000	Translation reserve US$ '000	Retained earnings US$ '000	Total US$ '000	US$ '000	US$ '000
Balance at 1 January 2008	524	1,763,933	8,490	393,004	2,165,951	379	2,166,330
Total comprehensive income for the period	-	-	6,261	98,156	104,417	961	105,378
Balance at 30 June 2008	524	1,763,933	14,751	491,160	2,270,368	1,340	2,271,708
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	-	-	(48,978)	215,308	166,330	411	166,741
Balance at 30 June 2009	524	1,763,933	(171,135)	300,523	1,893,845	2,277	1,896,122

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

	Note	30/6/09 US$ '000	31/12/08 US$ '000
Assets			
Investment property	6	172,971	186,275
Investment properties under development	7	1,519,357	1,112,003
Property, plant and equipment	8	97,521	102,833
Long-term loans receivable		4,392	5,610
VAT recoverable		29,819	22,189
Goodwill		150	150
Total non-current assets		1,824,210	1,429,060
Trading properties	9	73,132	-
Trading properties under construction	10	168,008	271,035
Inventory		164	91
Short-term loans receivable		1,910	640
Trade and other receivables	11	135,729	228,008
Other investments	12	69,238	-
Cash and cash equivalents		132,496	272,498
Total current assets		580,677	772,272
		2,404,887	2,201,332
Total assets			
Equity			
Share capital	13	524	524
Share premium		1,763,933	1,763,933
Translation reserve		(171,135)	(122,157)
Retained earnings		300,523	85,215
Total equity attributable to equity holders of the Company	13	1,893,845	1,727,515
Non-controlling interest		2,277	1,866
Total equity		1,896,122	1,729,381
Liabilities			
Long-term loans and borrowings	14	209,492	158,744
Deferred tax liability		67,171	6,321
Total non-current liabilities		276,663	165,065
Short-term loans and borrowings	14	94,423	139,562
Trade and other payables	15	110,927	140,339
Income tax payable		1,158	2,703
Deferred income		25,594	24,282
Total current liabilities		232,102	306,886
Total liabilities		508,765	471,951
Total equity and liabilities		2,404,887	2,201,332

The condensed consolidated interim financial statements were approved by the Board of Directors on 17 August 2009.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January 2009 to 30 June 2009

	Notes	1/1/09-30/6/09 US$'000	1/1/08-30/6/08 US$'000
Cash flows from operating activities			
Profit for the period		215,150	97,290
Adjustments for:			
Depreciation	8	403	4,239
Interest income		(5,883)	(17,578)
Interest expense		516	456
Share option expense		685	1,247
Net valuation gains		(246,267)	(65,253)
Profit on disposal of investments		(23)	(249)
Loss on disposal of property, plant and equipment		102	-
Unrealised gain on foreign exchange		(10,733)	(31,143)
Income tax expense		62,120	12,712
		16,070	1,721
Change in trade and other receivables	11	8,053	(7,418)
Change in inventories		(73)	(1)
Change in trading properties under construction		3,458	(22,159)
Change in trade and other payables	15	(45,437)	119,599
Change in deferred income		1,312	7,183
		(16,617)	98,925
Income tax paid		(1,513)	(1,260)
Net cash (used in)/from operating activities		(18,130)	97,665
Cash flows from investing activities			
Interest received		5,738	17,218
Proceeds from sale of investments		-	93,140
Net cash outflow for the acquisition of investments		(31,894)	(145,283)
Change in advances and payables to builders		85,902	(12,108)
Payments for investment properties under development	6, 7	(94,187)	(138,581)
Change in VAT recoverable		(6,030)	(6,912)
Payments for acquisition of property, plant and equipment	8	(742)	(1,319)
Net cash used in investing activities		(41,213)	(193,845)
Cash flows from financing activities			
Payments for loans receivable		(64)	(1,274)
Proceeds from repayment of loans receivable		-	28
Proceeds from loans and borrowings	14	31,135	75,545
Repayment of loans and borrowings	14	(24,269)	(9,297)
Interest paid		(15,269)	(8,767)
Net cash (used in)/from financing activities		(8,467)	56,235
Effect of exchange rate fluctuations		(2,954)	23,337
Net decrease in cash and cash equivalents		(70,764)	(16,608)
Reclassification to other financial assets	12	(69,238)	-
Cash and cash equivalents at 1 January		272,498	812,373
Cash and cash equivalents at 30 June		132,496	795,765
The cash and cash equivalents consist of:		132,488	795,756
Cash at banks		8	9
Cash in hand		132,496	795,765

1. INCORPORATION AND PRINCIPAL ACTIVITY

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

The condensed consolidated interim financial statements of the Company for the period from 1 January 2009 to 30 June 2009 comprise of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The principal activity of the Group is real estate investment and development.

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

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008 except from the application of the Revised IAS1: ''Presentation of Financial Statements'' which had a material effect on the presentation of Financial Statements and the improvements to IFRSs of 2008, specifically improvements to IAS 40 "Investment property" which had a material impact on the financial statements of the 6 month period ended 30 June 2009. Under the new requirements investment property under development was measured at fair value. As a result, US$266,786 thousand was recognised as revaluation gain and a deferred tax expense of US$67,561 thousand. The net effect was an increase of US$199,225 thousand of the profit for the period.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

5. INCOME TAX EXPENSE

	1/1/09-30/6/09 US$ '000	1/1/08-30/6/08 US$ '000
Current tax expense	(545)	(7,704)
Deferred tax expense on revaluation	(67,675)	(15,661)
Deferred tax benefit other timing differences	6,100	10,653
	(62,120)	(12,712)

6. INVESTMENT PROPERTY

	30/6/09 US$ '000	31/12/08 US$ '000
Balance 1 January	186,275	287,865
Transfer from investment properties under development	-	48,982
Renovations	180	-
Fair value adjustment	(4,471)	(8,383)
Disposal	-	(107,668)
Effect of movement in foreign exchange rates	(9,013)	(34,521)
Balance 30 June/ 31 December	172,971	186,275

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The last independent appraiser valuation took place on 31 December 2008.

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

7. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	30/6/09 US$ '000	31/12/08 US$ '000
Balance 1 January	1,112,003	1,062,545
Additions due to acquisitions of subsidiaries	45,156	124,484
Construction costs	94,007	272,631
Capitalised interest	14,343	15,919
Transfer from property, plant and equipment	-	(63,709)
Transfer to investment property	-	(48,982)
Transfer to trading properties under construction	-	(90,644)
Fair value adjustment	266,786	(125,809)
Disposal	(75)	-
Effect of movements in foreign exchange rates	(12,863)	(34,432)
Balance 30 June / 31 December	1,519,357	1,112,003

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

8. PROPERTY, PLANT AND EQUIPMENT

	30/6/09 US$ '000	31/12/08 US$ '000
Balance 1 January	102,833	45,563
Additions due to acquisitions of subsidiaries	-	28,417
Disposals	(80)	(37,219)
Additions	742	14,499
Transfer from investment property under development	-	63,709
Depreciation	(403)	(7,938)
Effect of movements in exchange rates	(5,571)	(4,198)
Balance 30 June / 31 December	97,521	102,833

9. TRADING PROPERTIES

	30/6/09 US$ '000	31/12/08 US$ '000
Balance 1 January	-	-
Transfer from trading properties under construction	80,682	-
Impairment loss	(3,407)	-
Disposals	(2,893)	-
Effect of movements in exchange rates	(1,250)	-
Balance 30 June / 31 December	73,132	-

10. TRADING PROPERTIES UNDER CONSTRUCTION

	30/6/09 US$ '000	31/12/08 US$ '000
Balance 1 January	271,035	172,177
Construction costs	4,897	28,925
Impairment loss	(12,641)	(20,792)
Transfer from investment property under development	-	90,644
Transfer to trading properties	(80,682)	-
Capitalised interest	1,013	7,224
Disposals	(5,463)	-
Effect of movements in exchange rates	(10,151)	(7,143)
Balance 30 June / 31 December	168,008	271,035

11. TRADE AND OTHER RECEIVABLES

	30/6/09 US$ '000	31/12/08 US$ '000
Advances to builders	41,612	111,939
Amounts receivable from related companies	5,243	4,292
Prepayments for acquisition of investments	10,916	30,179
Deferred expenditure	-	2,411
Trade receivables	10,159	17,940
Other receivables	42,249	34,123
VAT recoverable	24,256	25,808
Tax receivables	1,294	1,316
	135,729	228,008

Prepayments for acquisition of investments
2009: Represents an amount prepaid for acquisition of shareholding of OOO Avtograd.
2008: Includes US$12,750 thousand prepaid for the acquisition of 100% shareholding of Roppler Engineering Inc. and US$10,916 thousand prepaid for the acquisition of 100% shareholding of OOO Avtograd.

Other receivables
Includes an amount of US$21,050 (31/12/2008: US$20,958) thousand prepaid for the acquisition of 100% of shareholding in Pinkerton Limited owning 100% of the share capital of JSC WTIC Mercury, registered in the Russian Federation. The Group decided not to proceed with the acquisition and funds will be returned.

12. OTHER INVESTMENTS

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

13. SHARE CAPITAL AND RESERVES

Share Capital	30/6/09 US$ '000	31/12/08 US$ '000
Authorised		
1,000,000,000 shares of US$0.001 each	1,000	1,000
Issued and fully paid		
523,847,027 shares of US$0.001 each	524	524

Share premium

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

Employee Share option plan

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

Options over 1,174,065 GDRs were granted up to 30 June 2009 to Russian and Israeli employees and directors with an exercise price of US$14 vesting one-third on the second anniversary of the date of grant, a further one-third on the third anniversary and the remaining one-third, on the fourth anniversary of the date of grant provided that the participants remain in employment until the vesting date. The contractual life is ten years.

Translation reserve

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

Retained earnings

The amount at each reporting date is available for distribution. No interim dividends were proposed, declared or paid during the six-month period ended 30 June 2009.

14. LOANS AND BORROWINGS

	30/6/09 US$ '000	31/12/08 US$ '000
Long-term loans		
Secured bank loans	189,363	128,583
Secured loan from non-related company	20,000	30,000
Unsecured loan from non related company	129	161
	209,492	158,744
Short-term loans		
Secured bank loan	60,831	105,025
Secured loans from non-related companies	20,472	21,005
Unsecured loans from other non related companies	13,120	13,532
	94,423	139,562

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

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

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

(iii) Additional US$30,143 thousand were drawn, during the reporting period, from the credit line of VTB Bank. This credit line initially carried interest of 14,25% (ruble terms) which increased to 16% (ruble terms) since April 2009. The funds drawn under the credit line are being used to finance the construction of the Moscow City Mall.

15. TRADE AND OTHER PAYABLES

	30/6/09 US$ '000	31/12/08 US$ '000
Trade payables	66	453
Payables to related parties	1,086	471
Amount payable to builders	34,836	19,261
VAT and other taxes payable	1,715	1,647
Down payments received for construction projects	-	2,932
Provisions for construction costs	13,508	30,934
Other payables	59,716	84,641
	110,927	140,339

Other payables
Include an amount of US$ 55,721 thousand (2008: US$ 80,991) payable to the 50% partner of the joint venture Krown LLC, which was disposed during the second quarter of 2008.

16. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2008.

17. GROUP ENTITIES

During the six month period ended 30 June 2009 the Group acquired the following subsidiaries:

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

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

18. SUBSEQUENT EVENTS

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

Sale of Kosinskaya project ("the project")

The company has entered into the sale and purchase agreement for the project, through the sale of subsidiary Rognestar Finance Limited, at a sale price of US$ 195 million receivable over the course of one year.