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9 August 2013

AFI DEVELOPMENT PLC
("AFI DEVELOPMENT" OR "THE COMPANY")

RESULTS FOR THE SIX MONTHS TO 30 JUNE 2013

AFI Development H1 2013 revenue doubles year-on-year

AFI Development, a leading real estate company focused on developing property in Russia, has today announced its financial results for the first six months of 2013 ended 30 June 2013.

H1 2013 financial highlights

- Revenues for the six months to 30 June 2013, including net proceeds from the sale of trading properties, doubled year-on-year to US$123.9 million
  - Rental income up 16.5% year-on-year to US$68.5 million (excluding income generated from the disposed Four Winds project)
  - AFIMALL City contribution at US$48.0 million (compared to US$42.0 in H1 2012)
- Net profit reached US$43.3 million, compared to a net loss of US$240.6 million in H1 2012
- Gross profit grew 31.1% year-on-year to US$42.1million
- Gross value of portfolio of properties largely unchanged at US$2,460 million compared to US$2,502 million at the end of Q1 2013, despite the sale of parking spaces at AFIMALL to VTB Bank JSC
- Cash and cash equivalents of US$161.4 million. US$16.68 invested into Properties under development

H1 2013 operational highlights

- Sale of 643 parking spaces at AFIMALL City to VTB Bank JSC (first stage) was completed in Q2 2013, resulting in gross profit of US$24.7 million
- AFIMALL City operations continue to improve
  - Rental revenue up 14.3% year-on-year to US$48.0 million
  - Gradual rise in occupancy levels; currently at 83%
- Otradnoe project in the Moscow region to be marketed as "Odinbourg"
  - Mortgage compliance accreditation from VTB Bank OJSC received

Commenting on today’s announcement, Lev Leviev, Executive Chairman of AFI Development, said:

“We are very pleased with our results for the first six months of 2013 and look to the future with confidence. With our well thought out development portfolio, we expect to benefit from the continued strength of the Moscow real estate market. In particular, our “Odinbourg” project is expected to capitalise on the strong demand in the residential sector in the Moscow region, while our Tverskaya Plaza projects are well placed to benefit from the demand for high quality office space in central Moscow. By delivering high quality projects tailored to the needs of our residential and commercial customers, our aim is to continually deliver value to our shareholders.”

H1 2013 Results Conference Call:

AFI Development will hold a conference call for analysts and investors to discuss its H1 2013 financial results on Monday, 12 August 2013, following the publication of the Company's financial results.

The details for the conference call are as follows:

Date:	**Monday, 12 August 2013**	
Time:	**6pm Moscow (3pm BST)**	
Dial-in Tel:	**International:**	**+44 (0) 20 3003 2666**
	UK toll-free:	**0808 109 0700**
	US toll-free:	**1 866 966 5335**
	Russia toll-free:	**8 10 8002 4902044**
Password:	**AFI**	

Please dial in 5/10 minutes prior to the commencement time giving your name, company and stating that you are dialling into the AFI Development conference call quoting the reference AFI.

A replay facility will be available for 1 week following the call. To access the recording, please dial +44 (0)20 8196 1998 and enter access code 7626023.

Prior to the conference call, the H1 2013 Investor Presentation of AFI Development will be published on the Company website at http://www.afi-development.com/en/investor-relations/reports-presentations on 9 August 2013 by 9pm Moscow time (6pm BST).

- ends -

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About AFI Development

AFI Development is one of the leading real estate development companies operating in Russia. Established in 2001, AFI Development is a publicly traded subsidiary of Africa Israel Investments Ltd.

AFI Development is listed on the Main Market of the London Stock Exchange and aims to deliver shareholder value through a commitment to innovation and continuous project development, coupled with the highest standards of design, construction, and quality of customer service.

AFI Development focuses on developing and redeveloping high quality commercial and residential real estate assets across Russia, with Moscow being its main market. The Company’s existing portfolio comprises commercial projects focused on offices, shopping centres, hotels and mixed-use properties, and residential projects. AFI Development’s strategy is to sell the residential properties it develops and to either lease the commercial properties or sell them for a favourable return.

AFI Development is a leading force in urban regeneration, breathing new life into city squares and neighbourhoods and transforming congested and underdeveloped areas into thriving new communities. The Company’s long-term, large-scale regeneration and city infrastructure projects establish the necessary groundwork for the successful launch of commercial and residential properties, providing a strong base for future.

Legal Disclaimer

Some of the information in these materials may contain projections or other forward-looking statements regarding future events, the future financial performance of the Company, its intentions, beliefs or current expectations and those of its officers, directors and employees concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and business. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could," "may" or "might" or the negative of such terms or other similar expressions. These statements are only predictions and that actual events or results may differ materially. Unless otherwise required by applicable law, regulation or accounting standard, the Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Company, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia and market change in the industries the Company operates in, as well as many other risks specifically related to the Company and its operations.

Chairman and Executive Director's Combined Statement

The Company has closed the first six months of 2013 with considerable growth in revenue and profits.

The first phase of the sale of 643 parking spaces at AFIMALL City to VTB Bank was completed during the second quarter, making a strong contribution to the quarter's results. As was the case with the disposal of the Four Winds project, AFI Development once again stayed true to its strategy of disposing commercial assets for a favourable return, achieving significant profit to book value.

The operations of AFIMALL City continued to improve with steady growth in rental revenues and occupancy. The Company also made significant progress with projects in the development stage. Construction works at Otradnoe ("Odinbourg") and Kossinskaya are well underway. At the same time, the design stage is advancing at Tverskaya Plaza Ic, whilst pre-design works are progressing to plan at the Bolshaya Pochtovaya and Paveletskaya projects.

Projects update

AFIMALL City

Occupancy levels at AFIMALL City continued to increase, reaching 83% at the end of Q2 2013. Several new tenants opened their shops in the centre during the second quarter, including Gant, New Balance, Lee Cooper and Aldo. Additional important leases with new tenants - such as H&M Home, InWear/Matinique, and Marc O'Polo – were also signed during the quarter. Furthermore, the American retail brand "Forever 21" has chosen AFIMALL City for its first Russian flagship store due to open in 2014.

Otradnoe – "Odinbourg"

During Q2 2013, AFI Development continued to develop the marketing programme for its Otradnoe project. As part of this process, a marketing name of Odinbourg was selected.

Whilst construction works at the site are progressing to plan, the project has also received accreditation by VTB Bank JSC, one the leading Russian lenders. This confirms that the project is compliant with the bank's requirements for mortgage lending and that the bank will be supporting the Company's marketing campaign.

Market Overview – General Moscow Real Estate

Macroeconomic environment

Whilst the first half of 2013 saw a significant slowdown in GDP growth compared to 2012, a reversal in this trend is widely expected during the second half of the year, with the IMF forecasting full-year GDP growth of 2.5% (against an EU-average of -0.3%). A positive trend in commodity prices, growing international demand, a slowdown in CPI and a favourable crop harvest forecast are to be among the drivers of the expected recovery.

Overall, Russian performance remains superior to large developed and neighbouring developing economies, whilst Russian GDP per capita remains the highest among the BRICS economies.

Whilst the consumer market remains strong, supported by a strong labour market and solid wage growth, inflation is accelerating to a likely 7% for 2013.

[Source: Retail Market Outlook Report, JLL; Cushman & Wakefield Report; Rosstat]

Moscow office market

Although the first half of 2013 saw a 36% increase year-on-year in terms of new office space delivery, the volume of new supply in the second quarter of the year was at a record low since Q3 2005 at just 6 office buildings.

As a result of a decrease in tenant needs for additional office space and a continued decline in absorption, vacancy rates increased during the 6-month period, from 12.19% in January to 13.44% in June 2013, resulting in an average rate for the period of 13.15%.

In Class A, the average rents grew from $850 in Q1 to $870 in Q2 2013. In Class B, the average rents remained stable at $500. Rental rates of prime office space were at a level of $1,200 per year. The general expectation is for rents to remain stable throughout 2013.

The current capitalisation rates in Moscow remain stable at 8.5% for prime office space.

[Source: 2013 Q2 Marketbeat, Cushman & Wakefield; Office Market Overview - Q2 2013, Jones Lang LaSalle]

Moscow retail market

Shopping centre attendance during the first half of the year remained at a high level, with the most successful centres enjoying an average daily footfall of 40,000-80,000. Retail trade turnover for the January-May period increased by 11.4% year-on-year in nominal terms, supported by an attractive consumer spending pattern and continued growth in real income. Retail growth in Russia is expected to remain among the highest in Europe, a trend a number of international retailers are hoping to capitalise on.

Despite the opening of three quality shopping centers during the second quarter, the level of available space in quality shopping centers reached a negligible amount of less than 1% (against 6% in most European cities). During Q2 2013, rental rates were stable across all sub-sectors (US$500 – 1,800 sq.m. pa and US$3,000 – 4,500 per sq.m. pa for the ground floor of retail gallery). Capitalisation rates in Moscow remained stable at 9% for prime retail space.

[Source: 2013 Q2 Marketbeat, Cushman & Wakefield; Moscow Retail Overview - Q2 2013, Jones Lang LaSalle]

Moscow residential market

In the residential segment, stable market development continued during the first half of 2013. Whilst the start of the year saw a slight increase in the supply of new properties, demand remained strong as evidenced by growth in the volume of mortgage transactions.

Whilst the average asking price per unit for primary business-class residential premises in Q2 2013 amounted to US$ 7,390 per sq. m (up 4% year-on-year), within the Central Business District of Moscow, these prices are currently in the region of US$ 11,000 – 13,000 US$ per sq. m.

Going forward, a short-term increase in the supply of apartments is expected. However, lower budget (‘comfort class’) properties are expected to make up a significant proportion of the new supply.

[IntermarkSavills Business class residential report; Cushman & Wakefield Report; Blackwood Q1 2013 Residential Real Estate Market Overview]

Outlook

The management expects sustained strong growth in the retail market to support the continued improvement in the operating indicators of our flagship project, AFIMALL City, throughout 2013. In addition to further improving the performance of the Mall, our focus will be on our portfolio of development projects. We expect to achieve significant progress in construction works at our Otradnoe and Kossinskaya projects during the second half of the year. At the same time, we will continue to work towards obtaining construction permits for our Tverskaya Plaza office developments, the mixed-use residential complex of Bolshaya Pochtovaya and the Paveletskaya residential complex.

Lev Leviev
Executive Chairman of the Board

Mark Groysman
Executive Director

ANNEX A

30.6.13 – Very significant property disclosure

1. AFIMALL City

(Data based on 100%. Share of the Company in the property – 100%)	Current quarter (Q2 2013)	Comparative data			
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Value of the property (000'USD)	1,160,000	1,160,000	1,160,000	1,160,000	1,160,000
NOI in the period (000'USD)	16,657	14,632	9,482	12,506	12,509
Revaluation gains (losses) in the period (000'USD)	31,470	14,040	(12,697)	(44,874)	22,181
Average occupancy rate in the period (%)	83%	81%	77%	77%	76%
Rate of return (%)	5.4%	4.9%	4.2%	4.4%	4.5%
Average rent per sq.m. (USD/annum)	1,259	1,257	1,243	1,254	1,245
Average rent per sq.m. in agreements signed in the period (USD/annum)	1,127	964	1,214	2,651	2,026

2. Ozerkovskaya III

(Data based on 100% beginning in Q1 2013. Share of the Company in the property – 100%)	Current quarter (Q2 2013)	Comparative data (based on 50% Company share prior to Q4 2012 inclusive)			
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Value of the property (000'USD)	389,100	388,503	194,127	193,497	193,497
Revaluation gains (losses) in the period (000'USD)	8,528	2,547	1,401	(6,176)	7,911

3. Tverskaya Plaza IV

(Data based on 100%. Share of the Company in the property subsidiary –95%)	Current quarter (Q2 2013)	Comparative data			
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Value of the property (000'USD)	168,900	168,000	168,000	164,632	164,632
Revaluation gains (losses) in the period (000'USD)	974	18	2,988	0	(17,754)

4. Tverskaya Plaza II

(Data based on 100%. Share of the Company in the property – 100%)	Current quarter (Q2 2013)	Comparative data			
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Value of the property (000'USD)	31,500	30,600	30,600	31,500	31,500
Revaluation gains (losses) in the period (000'USD)	(2,082)	434	(26,023)	24,608	(832)

5. Bolshaya Pochtovaya

(Data based on 100%. Share of the Company in the property – 99.7%)	Current quarter (Q2 2013)	Comparative data			
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Value of the property (000'USD)	142,300	141,300	141,300	140,600	140,600
Revaluation gains (losses) in the period (000'USD)	1,526	708	(622)	(1,197)	(71,999)

6. Kossinskaya

(Data based on 100%. Share of the Company in the property – 100%)	Current quarter (Q2 2013)	Comparative data			
	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Value of the property (000'USD)	103,500	102,700	102,700	102,280	102,280
Revaluation gains (losses) in the period (000'USD)	(1,512)	(1,577)	(531)	(1,060)	(48,625)

ANNEX B
30.6.13 – Very significant loans disclosure

Balance as of 30.06.2013	Lender type: Bank, Institution al etc.	Indexation/ currency exposure & interest rate	Liens and material legal restrictions on the property	Covenants	Cross default mechanism	Any other covenants or restriction that might increase the cost of debt	In-case it is a credit line facility - what are the terms & conditions for draw downs	The methods/way that the covenant is calculated	Covenant calculation results	The date of Q2 2013 financial statement were reported	The date that the lender is checking the borrower is line with the covenants
USD 309,385,605 and RUR 9,513,728,439 (USD 290,859,654). Total amount in USD as of 30.06.2013 is USD 600,245,259	Specific project financed by a Bank, member of the VTB Group	RUR/USD loan provided in five tranches totalling RUR 21 billion. Each tranche can be drawn down either in US Dollars or in Rubles (at Company's discretion). The loan facility has differentiated interest rates which are currency dependent: 9.5% for loans drawn down in Russian rubles and 3 months LIBOR + 6.7% for loans drawn down in US dollars. The interest on the loans is payable on a quarterly basis, throughout the term of the credit line. The principal is due to be fully repaid in April 2018. The RUR interest rate may be unilaterally increased by the lending bank, should one of the interest indicators stipulated by the Russian Central Bank and specified in the loan agreement be increased; the interest rate will be increased by the amount of the interest indicator increase.	1. Liens over all the Bellgate's shares 2. AFI Development PLC company guarantee, limited to USD 1,000,000 3. Mortgage over 100% of the premises of AFIMALL City 4. Mortgage over the premises in the Parking owned by Bellgate, upon registration of Bellgate's rights to land plot under the Parking 5. Permission to debit Bellgate's account held in the lending bank 6. Additional mortgage over the premises of the "Aquamarine" Hotel in Moscow, to be removed in case Bellgate (the borrower) redeems USD 20 million of the principal 7. Additional guarantee by Semprex LLC, a Russian Company - an indirect subsidiary of AFI Development Plc, to be removed in case Bellgate (the borrower) redeems USD 20 million of the principal	(1) Bellgate'(the Borrower) should have minimum quarterly revenues, ranging from RUR 651,000,000 in Q3 2012 to RUR 1,139,000,000 in Q1 2018. Penalty: 1% per annum extra charge to the interest rate applicable under the loan agreement- applicable only for the quarter when the aforesaid revenue threshold was not achieved; (2) Liquidation Value of the property should be higher than sum of the outstanding principal and six months interest.	N/A	N/A	The loan is given in five tranches: 1st tranche drawn down on 29 June 2012, 2nd tranche drawn down on 3 August 2012 on the amount USD 69, 385,604.64 (RUR 2,252,000,000), 3rd tranche of RUR 1,300,000,000 drawn down on 01.02.2013, 4th tranche of RUR 1,333,333,333.33 drawn down on 28.02.2013, 5th tranche of RUR 1,333,333,333.34 is available during the period from 14.02.2014 to 28.02.2014. The change referring to the terms of available period for tranche 5 (until 28.02.14) was initiated by AFID on 28.03.2013. After the expiration of the aforesaid draw-down periods, the tranches, which were not claimed, cannot be drawn down.	(1) Total revenue, including VAT, calculated quarterly; (2) The Liquidation Value is determined by an external valuer appointed by the Bank.	**(1)** The minimum quarterly revenue for Q2 2013 was RUR 760 million; **(2)** Liquidation Value determined by an external valuer appointed by the Bank is USD 807 million.	8 August 2013	(1) Borrower's revenues are checked quarterly; (2) Liquidation value is checked twice a year, on 22 December and on 22 June.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

C O N T E N T S

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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 June 2013 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".

Marios G. Gregoriades CPA
Certified Public Accountant and Registered Auditor
For and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia, Cyprus

8 August 2013

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2013 to 30 June 2013

	Note	For the three months ended 1/4/13-30/6/13 US$ '000	For the three months ended 1/4/12-30/6/12 US$ '000	For the six months ended 1/1/13-30/6/13 US$ '000	For the six months ended 1/1/12-30/6/12 US$ '000
Revenue	4	90,528	32,563	123,893	64,897
Other income		435	17	3,664	122
Operating expenses		(17,802)	(17,419)	(39,226)	(32,260)
Carrying value of trading properties sold	14	(31,767)	(1,626)	(31,961)	(2,978)
Administrative expenses	5	(6,951)	(9,713)	(10,934)	(12,758)
Other expenses	6	(825)	(102)	(2,602)	(337)
Total expenses		(57,345)	(28,860)	(84,723)	(48,333)
Share of the after tax (loss)/profit of joint ventures	11	(123)	23,834	(760)	15,396
Gross Profit		33,495	27,554	42,074	32,082
Profit on disposal of investment in joint venture	23	-	-	32,088	2,337
Valuation gain/(loss) on properties	9, 10	41,874	(190,734)	58,390	(183,841)
Impairment loss on inventory of real estate		(849)	(65,445)	(849)	(65,445)
		41,025	(256,179)	57,541	(249,286)
Results from operating activities		74,520	(228,625)	131,703	(214,867)
Finance income		1,502	4,191	17,214	8,633
Finance costs		(37,258)	(36,816)	(93,458)	(37,097)
Net finance costs	7	(35,756)	(32,625)	(76,244)	(28,464)
Profit/(loss) before tax		38,764	(261,250)	55,459	(243,331)
Tax expense	8	(11,100)	12,737	(12,200)	2,691
Profit/(loss) for the period		27,664	(248,513)	43,259	(240,640)
Profit attributable to:					
Owners of the Company		26,427	(241,946)	41,735	(234,058)
Non-controlling interests		1,237	(6,567)	1,524	(6,582)
Profit for the period		27,664	(248,513)	43,259	(240,640)
Earnings per share					
Basic and diluted earnings per share (cent)		2.52	(23.09)	3.98	(22.34)

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2013 to 30 June 2013

	For the three months ended		For the six months ended	
	1/4/13-30/6/13 US$ '000	1/4/12-30/6/12 US$ '000	1/1/13-30/6/13 US$ '000	1/1/12-30/6/12 US$ '000
Profit/(loss) for the period	27,664	(248,513)	43,259	(240,640)
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Translation difference reclassified to income statement on disposal of joint venture	-	-	30,288	206
Foreign currency translation differences for foreign operations	(24,707)	(79,765)	(35,288)	(14,069)
Total comprehensive income for the period	2,957	(328,278)	38,259	(254,503)
Total comprehensive income attributable to:				
Owners of the parent	1,650	(321,539)	36,808	(247,692)
Non-controlling interests	1,307	(6,739)	1,451	(6,811)
	2,957	(328,278)	38,259	(254,503)

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2013 to 30 June 2013

	Attributable to the owners of the Company					Non-controlling interests	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 2012	1,048	1,763,409	(178,491)	277,503	1,863,469	3,887	1,867,356
Total comprehensive income for the period							
Loss for the period	-	-	-	(234,058)	(234,058)	(6,582)	(240,640)
Total other comprehensive income	-	-	(13,634)	-	(13,634)	(229)	(13,863)
Total comprehensive income for the period	-	-	(13,634)	(234,058)	(247,692)	(6,811)	(254,503)
Transactions with owners of the Company, recognised directly in equity							
Share option expense	-	-	-	167	167	-	167
Balance at 30 June 2012	1,048	1,763,409	(192,125)	43,612	1,615,944	(2,924)	1,613,020
Balance at 1 January 2013	1,048	1,763,409	(144,610)	9,661	1,629,508	(2,976)	1,626,532
Total comprehensive income for the period							
Profit for the period	-	-	-	41,735	41,735	1,524	43,259
Total other comprehensive income	-	-	(4,927)	-	(4,927)	(73)	(5,000)
Total comprehensive income for the period	-	-	(4,927)	41,735	36,808	1,451	38,259
Transactions with owners of the Company, recognised directly in equity							
Share option expense	-	-	-	2,425	2,425	-	2,425
Balance at 30 June 2013	1,048	1,763,409	(149,537)	53,821	1,668,741	(1,525)	1,667,216

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	30/6/13 US$ '000	31/12/12 US$ '000
Assets			
Investment property	9	1,679,904	1,292,300
Investment property under development	10	563,985	567,737
Share of investment in joint ventures	11	5,615	82,414
Property, plant and equipment	12	69,210	76,555
Long-term loans receivable	13	21,248	113,491
VAT recoverable		1,167	493
Goodwill		-	153
Non-current assets		2,341,129	2,133,143
Trading properties	14	7,743	3,597
Trading properties under construction	15	115,279	141,787
Inventory		567	623
Short-term loans receivable	13	88	92
Trade and other receivables	16	78,493	78,276
Current tax assets		3,101	2,341
Cash and cash equivalents	17	161,374	174,849
Assets held for sale	18	-	71,292
Current assets		366,645	472,857
Total assets		2,707,774	2,606,000
Equity			
Share capital		1,048	1,048
Share premium		1,763,409	1,763,409
Translation reserve		(149,537)	(144,610)
Retained earnings		53,821	9,661
Total equity attributable to owners of the Company	19	1,668,741	1,629,508
Non-controlling interests		(1,525)	(2,976)
Total equity		1,667,216	1,626,532
Liabilities			
Long-term loans and borrowings	20	809,420	554,551
Long-term amounts payable	21	-	38,324
Deferred tax liabilities		113,927	81,947
Deferred income		20,211	20,163
Non-current liabilities		943,558	694,985
Short-term loans and borrowings	20	18,205	17,345
Trade and other payables	22	78,795	267,138
Current liabilities		97,000	284,483
Total liabilities		1,040,558	979,468
Total equity and liabilities		2,707,774	2,606,000

The condensed consolidated interim financial statements were approved by the Board of Directors on 8 August 2013.

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2013 to 30 June 2013

	Note	1/1/13-30/6/13 US$ '000	1/1/12-30/6/12 US$ '000
Cash flows from operating activities			
Profit/(loss) for the period		43,259	(240,640)
Adjustments for:			
Depreciation	12	999	802
Interest income	7	(2,208)	(8,633)
Interest expense	7	33,668	28,688
Share option expense		2,425	167
Net valuation (gain)/loss on properties		(57,541)	249,286
Share of loss/(profit) in joint ventures		760	(15,396)
Profit on disposal of investments in joint venture/subsidiaries	23	(32,088)	(2,337)
Translation reserve reclassified upon disposal of joint venture	7	30,288	-
Profit on sale of property, plant and equipment		(39)	(26)
Goodwill written off		153	-
Loans written off	7	(15,006)	-
Unrealised loss on foreign exchange	7	28,728	4,434
Tax expense/(benefit)	8	12,200	(2,691)
		45,598	13,654
Change in trade and other receivables		(4,584)	(5,627)
Change in inventories		56	(209)
Change in trading properties and trading properties under construction		25,274	(2,548)
Change in trade and other payables		(71,139)	(2,907)
Change in deferred income		1,545	(432)
Cash generated from operating activities		(3,250)	1,931
Taxes paid		(764)	(855)
Net cash (used in)/from operating activities		(4,014)	1,076
Cash flows from investing activities			
Net cash inflow from the disposal of subsidiaries	23	3,380	5,789
Net cash outflow for the acquisition of assets and liabilities	11	(202,462)	-
Proceeds from sale of property, plant and equipment		300	58
Interest received		1,849	5,115
Change in advances and amounts payable to builders	16, 22	(8,737)	(3,510)
Payments for construction of investment property under development	9, 10	(16,680)	(10,404)
Payments for the acquisition of investment property	21	(43,544)	(43,967)
Capital contributions in joint ventures		-	(36)
Dividends received from joint ventures		-	13,000
Change in VAT recoverable		9,659	38,737
Acquisition of property, plant and equipment	12	(389)	(5,802)
Net cash used in investing activities		(256,624)	(1,020)
Cash flows from financing activities			
Payments for loans receivable		-	(1,022)
Proceeds from repayment of loans receivable		-	2,661
Proceeds from loans and borrowings	20	306,854	502,830
Repayment of loans and borrowings		(12,891)	(420,797)
Repayment of a loan from a related party		(14,354)	-
Interest paid		(29,357)	(30,121)
Net cash from financing activities		250,252	53,551
Effect of exchange rate fluctuations		(3,089)	(5,686)
Net (decrease)/increase in cash and cash equivalents		(13,475)	47,921
Cash and cash equivalents at 1 January		174,849	71,837
Cash and cash equivalents at 30 June		161,374	119,758

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

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 165 Spyrou Araouzou Street, Lordos Waterfront Building, 5th floor, Flat/office 505, 3035 Limassol, Cyprus. The Company is a 64.88% subsidiary of Africa Israel Investments Ltd ("Africa-Israel"), which is listed in the Tel Aviv Stock Exchange ("TASE"). 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 as "A" shares.

These condensed consolidated interim financial statements of the Company for the period from 1 January 2013 to 30 June 2013 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. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information and disclosures required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as and the for the year ended 31 December 2012. These interim financial statements were authorised for issue by the Company's Board of Directors on 8 August 2013.

Judgements and **Estimates**

In preparing these interim financial statements management is required 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 these 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 applied to the consolidated financial statements as at and for the year ended 31 December 2012.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

2. BASIS OF PREPARATION (continued)

New standards, interpretations and amendments adopted by the Group (continued)
The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include an opening statement of financial position.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group has been providing this disclosure already as total segment assets were reported to the chief operating decision maker (CODM).

2. BASIS OF PREPARATION (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:
(a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.
The application of this new standard impacted the financial position of the Group by replacing proportionate consolidation of all the joint ventures of the Group, with the equity method of accounting. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The effect of IFRS 11 is described in more detail in note 11, which includes quantification of the effect on the financial statements.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 24.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION (continued)

Functional and presentation currency

These consolidated financial statements are presented in United States Dollars which is the Company's functional currency. All financial information presented in United States Dollars has been rounded to the nearest thousand, except when otherwise indicated.

Foreign operations

Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using its functional currency. Where the functional currency of an entity of the Group is other than US Dollars, which is the presentation currency of the Group, then the financial statements of the entity are translated in accordance with IAS 21 'The effects of changes in foreign exchange rates.

The table below shows the exchange rates of Russian Roubles, which is the functional currency of the Russian subsidiaries of the Group, to the US Dollar which is the presentation currency of the Group:

As of:	Exchange rate Russian Roubles for US$1	% change quarter	% change six months/ year
30 June 2013	32.7090	5.2	7.7
31 March 2013	31.0834	2.3	
31 December 2012	30.3727		(5.7)
30 June 2012	32.8169		1.9
Average rate during:			
Six-month period ended 30 June 2013	31.0169		1.5
Three-month period ended 31 March 2013	30.4142		1.3
Six-month period ended 30 June 2012	30.5666		7.5

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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013 as described in the previous note.

4. OPERATING SEGMENTS

The Group has 5 reportable segments, as described below, which are the Group's strategic business units. The following summary describes the operation in each of the Group's reportable segments:

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

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

4. OPERATING SEGMENTS (continued)

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**		**Hotel Operation**		**Other - land bank**		**Total**	
	Commercial projects		Residential projects									
	30/6/13	30/6/12	30/6/13	30/6/12	30/6/13	30/6/12	30/6/13	30/6/12	30/6/13	30/6/12	30/6/13	30/6/12
	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000
External revenues	54,377	-	915	3,851	52,435	46,017	8,650	6,051	7,516	8,978	123,893	64,897
Inter-segment revenue	-	-	-	1	-	1	9	19	244	429	253	450
Reportable segment (loss)/profit before tax	703	5,141	(2,539)	204	(10,770)	(7,538)	1,459	(1,210)	(5,651)	(7,993)	(16,798)	(11,396)
	30/6/13	31/12/12	30/6/13	31/12/12	30/6/13	31/12/12	30/6/13	31/12/12	30/6/13	31/12/12	30/6/13	31/12/12
	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000	US$’000
Reportable segment assets	632,532	267,282	148,469	133,019	1,268,580	1,263,642	55,153	56,549	403,841	418,051	2,508,575	2,138,543
Reportable segment liabilities	256,740	217,960	-	11,151	753,790	724,353	3,646	23,469	4,090	5,657	1,018,266	982,590

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

4. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items.

	1/1/13-30/6/13 US$ '000	1/1/12-30/6/12 US$ '000
Revenues		
Total revenue for reportable segments	124,146	65,347
Elimination of inter-segment revenue	(253)	(450)
Consolidated revenue	123,893	64,897

	1/1/13-30/6/13 US$ '000	1/1/12-30/6/12 US$ '000
Profit or loss		
Total profit or (loss) for reportable segments before tax	(16,798)	(11,396)
Other profit or (loss)	(16,612)	(382)
Share of the after tax (loss)/profit of joint ventures	(760)	15,396
Profit on disposal of investment in joint venture/subsidiaries	32,088	2,337
Valuation gain/(loss) on properties	58,390	(183,841)
Impairment loss on inventory of real estate	(849)	(65,445)
Consolidated profit/(loss) before tax	55,459	(243,331)

5. ADMINISTRATIVE EXPENSES

	For the three months ended		For the six months ended	
	1/4/13-30/6/13 US$ '000	1/4/12-30/6/12 US$ '000	1/1/13-30/6/13 US$ '000	1/1/12-30/6/12 US$ '000
Consultancy fees	661	2,550	1,156	2,860
Legal fees	293	626	554	968
Auditors' remuneration	157	251	379	450
Valuation expenses	65	114	105	128
Directors' remuneration	367	92	727	156
Salaries and wages	42	111	81	202
Depreciation	201	382	233	801
Insurance	81	60	188	130
Provision for Doubtful Debts	2,176	3,844	1,594	3,843
Share option expense	1,234	167	2,425	167
Donations	1,051	1,050	2,104	2,100
Other administrative expense	623	466	1,388	953
	6,951	9,713	10,934	12,758

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

6. OTHER EXPENSES

	For the three months ended 1/4/13-30/6/13 US$ '000	For the three months ended 1/4/12-30/6/12 US$ '000	For the six months ended 1/1/13-30/6/13 US$ '000	For the six months ended 1/1/12-30/6/12 US$ '000
Prior year's VAT non recoverable	185	102	850	262
Compensation paid for fire damages	132	-	832	-
Sundries	508	-	920	75
	825	102	2,602	337

7. FINANCE COST AND FINANCE INCOME

	For the three months ended 1/4/13-30/6/13 US$ '000	For the three months ended 1/4/12-30/6/12 US$ '000	For the six months ended 1/1/13-30/6/13 US$ '000	For the six months ended 1/1/12-30/6/12 US$ '000
Interest income	1,478	4,191	2,208	8,633
Loans written off	-	-	15,006	-
Net change in fair value of financial assets	24	-	-	-
Finance income	1,502	4,191	17,214	8,633
Interest expense on loans and borrowings	(1)	(722)	(158)	(1,480)
Interest expense on bank loans	(16,518)	(16,809)	(30,474)	(31,486)
Interest capitalised	-	2,287	-	4,278
Net change in fair value of financial assets	-	(9)	(27)	(94)
Translation reserve reclassified upon disposal of joint venture (note 23)	-	-	(30,288)	-
Net foreign exchange loss	(19,544)	(19,648)	(28,728)	(4,434)
Other finance costs	(1,195)	(1,915)	(3,783)	(3,881)
Finance costs	(37,258)	(36,816)	(93,458)	(37,097)
Net finance costs	(35,756)	(32,625)	(76,244)	(28,464)

8. TAX EXPENSE

	For the three months ended 1/4/13-30/6/13 US$ '000	For the three months ended 1/4/12-30/6/12 US$ '000	For the six months ended 1/1/13-30/6/13 US$ '000	For the six months ended 1/1/12-30/6/12 US$ '000
Current tax expense				
Current year	238	624	607	1,048
Adjustment for prior years	191	92	191	100
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	10,671	(13,453)	11,402	(3,839)
Total income tax expense	11,100	(12,737)	12,200	(2,691)

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

9. INVESTMENT PROPERTY

	30/6/13 US$ '000	31/12/12 US$ '000
Balance 1 January	1,292,300	1,246,988
Transfer from investment property under development	-	40,600
Acquisitions/(disposals)	388,254	(3,160)
Renovations/additional cost	9,641	16,557
Fair value adjustment	55,065	(50,334)
Effect of movement in foreign exchange rates	(65,356)	41,649
Balance 30 June / 31 December	1,679,904	1,292,300

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 property under development in note 10 below. The last valuation took place on 30 June 2013. The cumulative adjustments, for all projects, are shown in line "Fair value adjustment" in the table above.

Acquisitions represent the impact of the acquisition of the 50% of joint venture Crown Investments LLC, thereafter owned at 100% and treated as a subsidiary. See note 11 for further details.

The decrease due to the effect of the foreign exchange rates is a result of the weakening of the rouble compared to the US Dollar by 7.7%, during the first half of 2013. The fair value adjustment gain is mostly related to this rouble weakening.

10. INVESTMENT PROPERTY UNDER DEVELOPMENT

	30/6/13 US$ '000	31/12/12 US$ '000
Balance 1 January	567,737	805,998
Construction costs	4,257	3,833
Acquisition	846	-
Capitalised interest	-	4,761
Transfer to investment property	-	(40,600)
Fair value adjustment	3,325	(215,543)
Effect of movements in foreign exchange rates	(12,180)	9,288
Balance 30 June / 31 December	563,985	567,737

The decrease due to the effect of the foreign exchange rates is a result of the rouble weakening compared to the US Dollar by 7.7% during the first half of 2013.

11. SHARE OF INVESTMENT IN JOINT VENTURES

	30/6/13 US$ '000	31/12/12 US$ '000
Balance 1 January	82,414	174,975
Capital contribution	-	37
Dividends received	-	(52,441)
Share of (loss)/profit (net of share of tax)	(760)	23,881
Acquisition of 100% of assets and liabilities of joint venture	(75,599)	-
Transfer to assets held for sale	-	(71,292)
Effect of movements in exchange rates	(440)	7,254
Balance 30 June / 31 December	5,615	82,414

The Group's joint ventures are comprised of the following:

50% interest in Nouana Limited with its subsidiary Tirel LLC, owner of a hotel in Kislovodsk. 50% interest in Craespon Management Ltd with its subsidiary Sanatorium Plaza LLC that operates the aforementioned hotel.

The Group owned a 50% interest in Westec Four Winds Ltdand its subsidiary Dulverton Ltd, owner of investment property in Moscow, which was disposed early January 2013, see notes 18 and 23.

The Group also owned a 50% interest in Crown Investments LLC, owner of investment and trading properties in Moscow. On 12 February 2013 the Group acquired the remaining 50% shareholding, deemed as acquisition of assets and liabilities.

The above mentioned acquisition of the 50% shareholding in the previously joint venture Crown Investments LLC had the following effect on the Group's assets and liabilities:

	US$ '000
Assets	
Investment property	388,254
Investment property under development	846
Investment in joint ventures	(75,599)
Loan receivable form joint ventures	(91,893)
Trading properties	6,944
Trade and other receivables	6,966
Current tax asset	1,666
Cash	684
	237,868
Liabilities	
Deferred tax liabilities	(21,315)
Trade and other payables	(13,407)
Total net assets at fair value/Purchase consideration transferred	203,146
Analysis of cash flows on acquisition:	
Consideration paid	(203,146)
Cash acquired	684
Net cash outflow for acquisition of assets and liabilities	(202,462)

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2013 to 30 June 2013

11. SHARE OF INVESTMENT IN JOINT VENTURES (continued)

Change in accounting policy

Under IAS 31 Interests in Joint Ventures (prior to the transition to IFRS 11), the Group's interest in these joint ventures was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is required to be accounted for using the equity method. The effect of applying IFRS 11 is as follows:

Impact on the comparative income statement	1/1/12- 30/6/12 US$ '000
Decrease in the reported revenue	(18,870)
Decrease in other income	(1,983)
Decrease in operating expenses	5,301
Decrease in administrative expenses	505
Decrease in other expenses	21
Increase in valuation loss of investment property	(11,431)
Decrease in the carrying value of trading properties sold	2,130
Decrease in gross profit	(24,327)
Decrease in finance cost	4,424
Decrease in profit on disposal of investments in subsidiaries	(257)
Decrease in operating profit	(20,160)
Increase in share of profit in joint venture	15,396
Decrease in profit before tax	(4,764)
Decrease in income tax expense	4,764
Net impact on profit after tax	-

Impact on comparative statement of financial position	31/12/12 US$ '000
Increase in net investment in joint venture (non-current)	82,414
Decrease in investment property and investment property under development	(194,550)
Increase in loans receivable	112,732
Decrease in inventories and trade and other receivables	(868)
Decrease in cash and cash equivalents	(3,346)
Decrease in current tax assets	(536)
Increase in trading properties	1,485
Decrease in property, plant and equipment	(26,355)
Decrease in assets held for sale	(114,596)
Decrease in trade and other payables (current)	6,377
Decrease in deferred tax liability	22,646
Decrease in liabilities held for sale	114,597
Net impact on equity	-

There is no material impact on the interim condensed consolidated statement of cash flows or the basic and diluted Earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

	30/6/13 US$ '000	31/12/12 US$ '000
Balance 1 January	76,555	66,663
Additions	389	7,134
Interest capitalised	-	368
Depreciation for the period/year	(999)	(1,971)
Disposals	(261)	(450)
Effect of movements in foreign exchange rates	(6,474)	4,811
Balance 30 June / 31 December	69,210	76,555

13. LOANS RECEIVABLE

	30/6/13 US$ '000	31/12/12 US$ '000
Long-term loans		
Loans to joint ventures (note 27)	20,483	112,732
Loans to non-related companies	765	759
	21,248	113,491
Short-term loans		
Loans to non-related companies	88	92

Terms and loan repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	30/6/13 US$ '000	31/12/12 US$ '000
Unsecured loans to joint ventures	USD	11.5%	2014	11,430	95,426
	RUR	19.5%	2014	9,053	17,306
Unsecured loans to non-related companies	RUR	"CBR Rate"*1.1	2014	34	36
	USD	2.5%	2014	731	723
	RUR	11%	On demand	88	92
				21,336	113,583

Due to the reason that the Group acquired, during the period, the remaining 50% of the assets and liabilities of the joint venture Crown Investments LLC any loan balance with other Group entities are now eliminated in full upon consolidation. See note 11 for more details.

14. TRADING PROPERTIES

	30/6/13 US$ '000	31/12/12 US$ '000
Balance 1 January	3,597	7,372
Acquisition	6,944	-
Transfer from trading properties under construction	29,772	-
Disposals	(31,961)	(3,846)
Effect of movements in exchange rates	(609)	71
Balance 30 June / 31 December	7,743	3,597

Trading properties comprise of the unsold apartments and parking spaces. During the period the Group has sold a number of the remaining parking places and their cost was transferred to income statement.

The transfer from trading properties under construction represents the completion of the construction of the 643 parking places units which were disposed upon transferring of the rights to the buyer VTB Bank according to the agreement described below.

In November 2012 Bellgate Constructions Limited ("Bellgate"), the Company's subsidiary owning and operating AFIMALL City, entered into an agreement to dispose approximately 643 parking spaces to VTB Bank. The transaction was structured in two stages. The first stage entailed a sale-purchase transaction between Bellgate and VTB Bank of 21,354 sq.m. of parking space. During the second stage 9,247 sq.m. owned (at completion) by VTB Bank will be exchanged for 7,847 sq. m. owned by Bellgate. The first stage of the transaction was completed on 3 June 2013 with the transfer of the rights to the buyer, who became liable for the risks associated with ownership and can utilize the space and is free to sell to another party and therefore revenue of US$54,492 thousand and a corresponding cost of the disposed properties of US$29,772 thousand were recognised in the income statement during this quarter.

15. TRADING PROPERTIES UNDER CONSTRUCTION

	30/6/13 US$ '000	31/12/12 US$ '000
Balance 1 January after reclassification of comparative	141,787	129,598
Transfer to trading properties	(29,772)	-
Construction costs	5,818	9,592
Effect of movements in exchange rates	(2,554)	2,597
Balance 30 June / 31 December	115,279	141,787

Trading properties under construction comprise of "Otradnoye" project which involves primarily the construction of residential properties.

The 643 parking places underneath AFIMALL City were completed during the period, reclassified to Trading properties and disposed according to the agreement with VTB Bank described in note 14 above.

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16. TRADE AND OTHER RECEIVABLES

	30/6/13 US$ '000	31/12/12 US$ '000
Advances to builders	38,765	29,836
Amounts receivable from related parties (note 27)	311	5,280
Trade receivables net	14,897	13,901
Other receivables	17,134	12,827
VAT recoverable	4,673	15,033
Tax receivables	2,713	1,399
	78,493	78,276

Trade receivables net

Trade receivables are presented net of an accumulated provision for doubtful debts of US$15,330 thousand (2012: US$13,736 thousand).

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:	30/6/13 US$ '000	31/12/12 US$ '000
Cash at banks	161,196	174,750
Cash in hand	178	99
	161,374	174,849

18. ASSETS HELD FOR SALE

In December 2012 the Company entered into an agreement to dispose of, its 50% of stake in Westec Four Winds Limited (along with its partner, Snegiri Development), which had developed and operated Four Winds. The deal was completed in January 2013 with total consideration received by the Company of circa US$103.4 million. The transaction also resulted in reduction of overall debt of AFI Development following the removal of the project loan by Nordea Bank from its consolidated balance sheet. The total profit on disposal was US$50,725 thousand, US$18,637 thousand of which were recognised as a fair value gain in 2012 and the rest upon completion. The corresponding translation reserve was reclassified to profit or loss upon the disposal of the joint venture in January 2013. An amount of US$30,288 was reclassified as realised foreign exchange loss in financing expenses.

19. SHARE CAPITAL AND RESERVES

Share Capital	30/6/13 US$ '000	31/12/12 US$ '000
Authorised		
2,000,000,000 shares of US$0.001 each	2,000	2,000
Issued and fully paid		
523,847,027 A shares of US$0.001 each	524	524
523,847,027 B shares of US$0.001 each	524	524
	1,048	1,048

19. SHARE CAPITAL AND RESERVES (continued)

Employee Share option plan
There were no changes as to the employee share option plan during the six-month period ended 30 June 2013 apart from the cancelation of 523,848 options due to the resignation of an employee.

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 dividends were proposed, declared or paid during the period ended 30 June 2013.

20. LOANS AND BORROWINGS

	30/6/13 US$ '000	31/12/12 US$ '000
Non-current liabilities		
Secured bank loans	809,420	554,551
Current liabilities		
Secured bank loans	17,434	1,357
Unsecured loans from other non-related companies	771	15,988
	18,205	17,345

There were no material changes to loans during the six months ended 30 June 2013 apart from the following:

On 25 January 2013 OOO Crown Investments ("Crown"), a 100% subsidiary, acquired a new secured loan from JSC VTB Bank for refinancing the repayment of borrowings due to related parties. This loan agreement offers a credit line of US$220 million, which was drawn down during the first quarter of 2013. The agreed interest is three-month LIBOR plus 5.7% p.a., payable every quarter. The loan repayment date is in 731 days from the date of signing the loan agreement. Securities provided to the Bank are on the 100% of the shares of Crown and on properties/buildings of Aquamarine Phase III. A decrease in the market value of the pledged buildings by more than 15% will enable the bank to demand repayment of the loan before the agreed maturity date. In case of disposal of the pledged building, at least 80% of sale proceeds should be directed to the Bank for the repayment of the loan.

During the period the Group received the third and the fourth tranche, of total apprx US$86,854 million (RUR 2,633 million), of the secured loan from a bank of the VTB Group ("the Bank") signed on 22 June 2012 by its subsidiary Bellgate Construction Ltd ("Bellgate"). This new loan facility agreement offers a credit line totalling RUR 21 billion, which can be drawn down in 5 tranches, each with a designated purpose: the majority of the funds are designated to refinance existing loans previously issued by JSC VTB Bank. The remaining funds are designated for the refinancing of construction costs related to the AFIMALL City parking and for the financing of the outstanding payments constituting part of the consideration for the acquisition of the parking.

21. LONG TERM AMOUNTS PAYABLE

Represented an amount payable to the City of Moscow, for the acquisition of the parking area under the AFIMALL City. The amount is payable in three yearly installments starting from February 2012 and with the last falling due in February 2014. On the 28 February 2013 the company paid the second installment of RUR 1,333 million (appor. US$ 43,544 thousand) and the third installment, which is payable within the next twelve months, is presented as current liability in “Trade and other payables”, see note 22 below.

22. TRADE AND OTHER PAYABLES

	30/6/13 US$ ’000	31/12/12 US$ ’000
Trade payables	10,174	3,062
Payables to related parties (note 27)	6,032	5,854
Amount payable to builders	7,894	5,999
VAT and other taxes payable	9,862	17,074
Receipts in advance from sale of investment	-	100,000
Receipts in advance for the sale of parking places	-	61,734
Amount payable for the acquisition of properties (note 21)	37,694	43,068
Other payables	7,139	30,347
	78,795	267,138

Payables to related parties
Include an amount of US$5,407 thousand (31/12/12: US$3,761 thousand) payable to Danya Cebus Rus LLC, related party of the Group, for new contracts signed in relation to the completion of AFIMALL City.

Receipts in advance from sale of investment
The company received an advance payment for the disposal of the Westec Four Winds plaza which was classified as current liability until the completion of the transaction in January 2013.

23. DISPOSAL OF INVESTMENTS IN JOINT VENTURE/SUBSIDIARIES

	30/6/13 US$ ’000	30/6/12 US$ ’000
The profit on disposal of joint venture consists of:		
Profit on disposal of Westec Four Winds Ltd	32,088	-
Profit on disposal of OOO Ozerkovka	-	2,626
Loss on disposal of Roppler Engineering Limited and its subsidiary OOO CDM	-	(289)
	32,088	2,337

The selling price of the disposal of Westec Four Winds Ltd was US$103,380 thousand. The resulting profit on sale amounting to US$32,088 thousand was recognised in income statement and a translation reserve of US$30,288 thousand was reclassified as a realised exchange loss in financing expenses of the income statement.

23. DISPOSAL OF INVESTMENTS IN JOINT VENTURE/SUBSIDIARIES (continued)

The above disposal had the following effect on the Group's assets and liabilities:

	30/6/13 US$ '000
Investment property	(177,996)
Property, plant and equipment	(109)
VAT recoverable	(2)
Trading properties	(322)
Trade and other receivables	(2,769)
Cash disposed off reclassified to assets held for sale at the end of 2012	(4,691)
Long-term loans and borrowings	81,408
Deferred tax liabilities	26,614
Deferred income	3,366
Trade and other payables	2,690
Current tax payable	519
Net identifiable assets	(71,292)
Consideration received in cash	103,380
Amount received in advance in the prior year	(100,000)
Net cash inflow from the disposal of joint venture during the period	3,380

24. FINANCIAL INSTRUMENTS

Set out below an overview of the financial instruments, other than cash and short term deposits, held by the group as at 30 June 2013:

Financial assets	Loans and receivables USD'000
Loans receivable	21,248
Total non-current	21,248
Trade and other receivables	71,107
Loans receivable	88
Total current	71,195
Total	92,443
Financial liabilities	
Interest bearing loans and borrowings	809,420
Total non-current	809,420
Trade and other payables	68,933
Interest bearing loans and borrowings	18,205
Total current	87,138
Total	896,558

24. FINANCIAL INSTRUMENTS (continued)

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2013

	Carrying amount USD'000	Fair value USD'000
Financial assets		
Loans receivable	21,248	21,248
Total non-current	21,248	21,248
Loans receivable	88	88
Total current	88	88
Total	21,336	21,336
Financial liabilities		
Interest bearing loans and borrowings	809,420	814,072
Total non-current	809,420	814,072
Interest bearing loans and borrowings	18,205	18,205
Total current	18,205	18,205
Total	827,625	832,277

25. CONTINGENCIES

There weren't any contingent liabilities as at 30 June 2013.

26. 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 2012.

Cyprus business and economic environment
In regards to the recent events and the current economic conditions in Cyprus, the Board of Directors is of the opinion that the Company's operations have not been adversely affected by the current economic conditions in Cyprus as the Company does not have significant credit exposure with respect to local credit institutions and customers and all of its investments and their operations are outside Cyprus.

27. RELATED PARTIES

Outstanding balances with related parties	30/6/13 US$ '000	31/12/12 US$ '000
Assets		
Amounts receivable from joint ventures	16	4,978
Amounts receivable from other related companies	295	302
Long term loan receivable from joint ventures	20,483	112,732
Liabilities		
Amounts payable to joint ventures	171	1,631
Amounts payable to ultimate holding company	434	461
Amounts payable to other related companies	5,427	3,762

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27. RELATED PARTIES (continued)

Transactions with the key management personnel	30/6/13 US$ '000	30/6/12 US$ '000
Key management personnel compensation:		
Short-term employee benefits	2,802	1,715
Share option scheme expense	2,425	167

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	30/6/13 US$ '000	30/6/12 US$ '000
Revenue		
Joint venture – consulting services	-	1,240
Joint venture – interest income	1,276	8,158
Expenses		
Ultimate holding company – operating expenses	-	99
Ultimate holding company – administrative expenses	193	-
Joint venture – operating expenses	102	-
Construction services capitalised		
Related company – construction services	3,537	-

28. GROUP ENTITIES

During the six-month period ended 30 June 2013 the Group disposed of its 50% share in the joint venture Westec Four Winds Ltd and its subsidiary Dulverton Ltd as described in note 23 above. The Group also acquired the remaining 50% of the assets and liabilities of OOO Krown Investments and now owns 100% of Krown's share capital.

29. SUBSEQUENT EVENTS

There were no material events that took place after the six month period end until the date of the approval of these financial statements by the Board of Directors on 8 August 2013.