



AFI Development PLC

Preliminary Results for the year to 31 December 2007

27 March 2008

 **AFIDEVELOPMENT**



Agenda

- Introduction and performance highlights
- Financial highlights
- Update on operational progress and strategy
- Conclusion & Outlook

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March 2008

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Performance Highlights



- Continued excellent progress across key projects and operations
- 4.6% rise in NAV per share since 30 June 2007; 14.1% since IPO
- 15.8% increase in valuation of investment portfolio since 30 June 2007; 41% since IPO
- Total portfolio increased to 29 projects
- Construction programmes progressing – including the completion of Four Winds and Aquamarine II office buildings
- Significant planning permissions granted
- Successful letting activity
- Project financing secured
- Broadening the scope to Ukraine and other CIS countries

March 2008

Financial Overview

March 2008

Financial Highlights

- Net Asset Value up 4.6% to US\$5.9 billion (30 June 2007: US\$5.6 billion; at the IPO: US\$5.1 billion)
- Net Asset Value per share – US\$11.2
- Investment portfolio valued at US\$5.2 billion (30 June 2007: US\$4.5 billion and 31 March 2007: \$3.7 billion) – up 15.8% since half year; up 41% since IPO
- Like-for-like portfolio recorded US\$0.8 billion increase since IPO and US\$0.4 billion increase since 30 June 2007
- Investment of US\$967 million during year
- Profit before tax up to US\$275.5 million (31 December 2006: US\$113.3 million)
- Profit after tax for the year rose to US\$215.6 million (31 December 2006: US\$111.9 million)

Summary Balance Sheet

US\$ millions	31 December 2007	30 June 2007
(except NAV per share and shares in issue)		
Net asset value	5,864	5,608
Shares in issue	523,847,027	523,847,027
NAV per share	US\$11.2	US\$10.6
Investment properties under development	1,062.55	675.01
Cash and cash equivalents	812.37	1,302.25
Total assets	2,644.29	2,379.66
Total liabilities	477.96	387.09

March 2008

NAV – Performance Analysis

	31/12/2007	30/06/2007	At IPO ⁽¹⁾
<i>US\$ millions</i>			
Market value of existing portfolio	4,554	4,162	3,691
Market value of new projects	667	347	-
Total market value (JLL)	5,221	4,509	3,691
Book value ⁽²⁾	1,522	894	529
Add value	3,698	3,616	3,162
Total equity	2,166	1,993	638
Net proceeds	-	-	1,338
NAV	5,864	5,608	5,138

⁽¹⁾ Based on JLL valuation as at 31 March 2007

⁽²⁾ Includes: 1) investment properties; 2) investment properties under development; 3) investments; 4) trading properties under construction.

Key Valuation Drivers

Market value of like-for-like portfolio is \$4.6 billion, an increase of:

- \$0.4 billion (9.4%) over the six months since 30 June 2007
- \$0.8 billion (23%) since the IPO

The increase in Net Asset Value can be attributed to the following factors:

- Lettings activities at Tverskaya Zastava and Moscow City shopping malls
- Continued strong rental rates
- Progress on permits
- Progress on construction
- Acquisition of new projects

Overview of Financing

1. US\$500 million of debt finance secured in 2007, including US\$280 million for Tverskaya Zastava shopping mall project
2. Advanced negotiations for additional project debt finance for Moscow City shopping mall in the amount of US\$350 million
3. Over US\$800 million in cash on our balance sheet at 31 December 2007
4. We have continued access to debt financing in challenging market conditions

Operational Review

March 2008

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Operational Highlights

- **Portfolio consists of 29 projects in 15 locations**
- **Strong progress on construction works at our existing schemes**
 - Four Winds office building completed and fully let
 - Aquamarine II office building completed and fully let
 - Ground works have commenced at Otradnoye Phase I and Ozerkovskaya Phase III
 - Tverskaya Zastava and Moscow City shopping malls construction advances
 - Moscow City Government Resolution is anticipated for Kuntsevo and tenants relocation programme is now underway
- **Excellent progress on securing permissions and zoning for future schemes**
- **Strong leasing activity at projects, with rental rates exceeding expectation**
- **Acquisition of additional projects:**
 - *Pochtovaya* – now totals 4.9 hectares to provide 245,279 sqm of mixed use space.
 - *Botanic Gardens project* – consolidated our stake to 90%. The project will deliver over 72,000 sqm of residential, office, retail and parking space.
 - *Moscow City Hotel* – acquisition of a 49.9% stake in immediately adjacent site
- **Post year-end:**
 - Strategic focus expanded to include Ukraine and the CIS
 - Consolidation of all of Africa Israel's Russian real estate assets into our portfolio – including four hotel schemes

Project Milestones

Tverskaya Zastava:

- ***Four Winds*** – construction of the office building completed one quarter ahead of schedule – fully let to tenants including Morgan Stanley, Total and Moody's.
- ***Plaza IV*** – increased stake to 95% at a cost of US\$82.88 million.
- ***Shopping Mall & Traffic Interchange*** – ground works have begun with the completion of 12% of the slurry wall, traffic management arrangements and removal of 8.5% of external utility lines. Marketing to anchor tenants has begun with market leading rates achieved.
- ***Tverskaya Zastava Square Bridge*** – AFI Development is working to reconstruct the bridge that links Tverskaya Street and Leningradsky Prospect, adding to Moscow's sustainable infrastructure and facilitating better access to the Tverskaya Zastava office and shopping complexes.

Kuntsevo:

- New Moscow City Government resolution anticipated shortly; expected to set the exact addresses and the zoned use of the facilities
- Tenant relocation underway



Project Milestones (cont'd)

Moscow City

- **Shopping Centre** – Construction works are ongoing, nearing the completion of the shell structure and working towards the commencement of internal works as well as the preparation for assembly of the façades, which were approved by the City Council. Good progress being made in signing anchor tenants, targeting an average rental of US\$1,834 per sqm.
- **Moscow City Hotel** – A 0.7-hectare plot has been acquired, adjacent to our Moscow City project, which is zoned for the construction of a mixed-use development, including a hotel, a shopping mall and office space. AFI Development owns 49.9% of the land and the development is being designed to link with the current Moscow City project.

Ozerkovskaya

- **Aquamarine II** - development works completed on schedule and the building is fully let. Produces US\$11 million NOI per annum (AFI's share is 50%)
- **Phase II** – 70% of the residential space and 60% of the hotel has now been constructed, with 27% of the residential space pre-sold (US\$31 million). Completion is scheduled for Q4 2008.
- **Phase III** – ground works are underway



Project Milestones (cont'd)

Otradnoye

- Ground works have commenced on Phase I of the Otradnoye project; this will provide 150,000 sqm of sellable residential space.
- The Otradnoye project comprises three phases that are approximately equal in size. We expect to begin pre-sales of the residential units in the second quarter of 2008.



Pochtovaya

- AFI Development is at an advanced stage of planning on Pochtovaya phase I, with full zoning and permits in place. Construction works are expected to commence during the fourth quarter of 2008.
- Phases II and III have been added to Phase I plot to create a single plot of 4.9 hectares. The project will be delivered in stages and will comprise 245,279 sqm of GLA



New Initiatives

Ukraine & the CIS

- Geographic focus broadened to include Ukraine and other CIS countries
- We will enter Ukrainian market through acquisition of the assets and management platform of AFI Ukraine:
 - in-depth local market knowledge – a solid platform for growth
 - a number of established development opportunities
- Markets have highly complementary characteristics to Russia, with positive economic growth

Hotels

- Consolidation of Africa Israel's Russian property assets under AFI Development through acquisition of four hotel properties owned by Africa Israel Hotels Ltd. They include:
 - Plaza Spa, Kislovodsk: Operational – four-star hotel with 274 bedrooms
 - Park Plaza, Kislovodsk: over 5 hectares land plot; ground works underway, development of this 500-bedroom hotel is expected to complete in 2010
 - Versailles, Kislovodsk: Project to redevelop an historic building and the construction of new facilities, which include a luxury spa hotel
 - Kalinina, Zheleznovodsk: Project to convert an existing building into a modern three-star hotel with a total area of 11,500 sqm (175 bedrooms)

Conclusions & Outlook

March 2008

Outlook

- Track record and expertise of management continues to provide AFI Development with a competitive advantage
- Extremely strong portfolio and pipeline with massive potential
- Continued strong market conditions (commercial and residential) underpinned by growing interest from international investors and potential tenants – for example, at Four Winds
- Existing projects progressing with some completing early – AFI Development continues to create significant, landmark schemes
- Robust strategy continues to produce results; broadening geographic focus to include Ukraine and the CIS
- In-house 'best in class' construction management and development expertise – demonstrated by continued progress on planning and zoning permissions