

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

20 November 2018

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

**UNAUDITED RESULTS FOR THE NINE MONTHS TO 30 SEPTEMBER 2018**

**Continuous growth strongly supported by contribution from residential segment**

AFI Development, a leading real estate company focused on developing property in Russia, today announces its unaudited financial results for the nine months ended 30 September 2018.

**9M 2018 financial highlights<sup>1</sup>**

- **Revenue** for 9M 2018 increased by 45% year-on-year to US\$207.1 million, including proceeds from the sale of trading properties:
  - Rental and hotel operating income increased by 10% year-on-year to US\$93.9 million
  - Contribution from AFIMALL City grew by 8% year-on-year to US\$64.7 million (9M 2017: US\$59.8 million)
  - Sale of residential properties contributed US\$112.4 million to total revenue, a 97% increase year-on-year (9M 2017: US\$57.0 million), mostly due to revenue recognition from delivery of apartments in AFI Residence Paveletskaya in Q2 2018 and the implementation of IFRS 15<sup>2</sup>
- **Gross profit** increased by 63% year-on-year to US\$72.1 million (9M 2017: US\$44.2 million)
- **Net profit** for 9M 2018 amounted to US\$96.6 million (including a US\$62.3 million valuation gain and a US\$11.8 million forex gain), compared to US\$0.6 million in 9M 2017
- **Total gross value of portfolio of properties** stood at US\$1.35 billion, broadly unchanged since the end of H1 2018
- **Cash, cash equivalents and marketable securities** as of 30 September 2018 amounted to US\$114.5 million

**9M 2018 operational highlights**

---

<sup>1</sup> The financial results for 9M 2018 reported in this publication are based on the unaudited summary of financial results prepared by the Company. The results were not reviewed by the auditors.

<sup>2</sup> AFI Development has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The "sale of residential properties" figure includes the revenue from sales of residential properties transferred over time calculated under IFRS 15.

- At **Odinburg**, construction works and pre-sales continued at Building 3 (phase I) and Building 6 (phase II)
  - As of 7 November 2018, the number of signed sale contracts stood at 685 (96% of total) in Building 2, 420 (46% of total) in Building 3 and 186 (83% of total) in Building 6
- At **AFI Residence Paveletskaya**, following the recent completion and delivery of the Phase I apartments to customers, delivery of the Phase II apartments is scheduled for Q1 2019. 503 sale and pre-sale contracts (amounting to 79% of the total number of residential units under sales) have been signed as of 7 November 2018
- At **Bolshaya Pochtovaya**, construction and pre-sales are on track with delivery of Phase I apartments planned for Q1 2019
  - As of 7 November 2018, 191 apartments (47% of Phase I and Phase II combined) pre-sold
- The construction and pre-sale of properties at **Botanic Garden** remain on track
  - As of 7 November 2018, 224 apartments (28% of Phase I) pre-sold
- **AFIMALL City** continues to record solid NOI growth, up 13% year-on-year to US\$50.3 million in 9M 2018, from US\$44.4 million in 9M 2017

Commenting on today's announcement, David Tahan, Chairman of AFI Development, said:

"We are pleased to report that AFI Development has continued to deliver growth in revenue and profits, driven by the performance of our four ongoing residential projects - Odinburg, AFI Residence Paveletskaya, Bolshaya Pochtovaya and Botanic Garden. As we look ahead to the full year, we remain alert the issues posed by a weaker Russian rouble which could impact the value of our property portfolio and the threat of additional US sanctions. However, we believe that with our high-calibre projects, we are well placed to maintain the positive momentum in our performance into the final quarter."

### 9M 2018 Results Conference Call:

AFI Development will hold a conference call for analysts and investors to discuss its 9M 2018 financial results on Wednesday, 21 November 2018.

Details for the conference call are as follows:

Date: Wednesday, 21 November 2018

Time: 2pm GMT (5pm Moscow)

Dial-in Tel: UK toll free: 0800 358 9473

US toll-free: +1 855 85 70686

Russia toll-free:

8800 500 9867

Password: 67397553#

Please dial in 5-10 minutes prior to the start time.

Prior to the conference call, the 9M 2018 Investor Presentation of AFI Development will be published on the Company website at <http://www.afi-development.com/en/investor-relations/reports-presentations> on 21 November 2018 by 10am GMT (1pm Moscow time).

- ends -

For further information, please contact:

**AFI Development, +7 495 796 9988**

Ilya Kutnov, Corporate Affairs/Investments Director (Responsible for arranging the release of this announcement)

**Citigate Dewe Rogerson, London +44 20 7638 9571**

Sandra Novakov

Lucy Eyles

This announcement contains inside information.

## **About AFI Development**

Established in 2001, AFI Development is one of the leading real estate development companies operating in Russia.

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 the 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's statement**

In the third quarter of 2018, a weaker rouble increased inflationary expectations, which in turn caused the Russian Central Bank to raise its key lending rate by 25 basis points to 7.5% in September 2018. Furthermore, with some stabilisation in the Russian economy, the threat of new US sanctions remains a risk for consideration by all companies operating in Russia.

AFI Development continues to report growth in revenue and profits, mainly driven by our four ongoing residential projects. Our residential sales contributed \$112.4 million in revenue, reflecting both changes in our recognition of revenue now that we report in accordance with IFRS 15 and the delivery of apartments to customers in Phase I of AFI Residence Paveletskaya. Rental and hotel operating income also increased to US\$93.9 million for the nine-month period, a 10% year-on-year increase, with AFIMALL City remaining the main contributor.

Our gross profit for 9M 2018 increased 63% year-on-year to US\$72.1 million, reflecting stronger residential revenue and higher profitability of our residential projects in Moscow (relative to Odintsovo in the Moscow region, which accounted for all of our recognised residential sales revenue in 2017).

We recorded a net profit of US\$96.6 million for the nine-month period. This is a significant increase compared to 9M 2017 (US\$0.6 million), largely driven by valuation and foreign exchange gains.

We remain cautiously optimistic regarding the market environment for both our residential and commercial projects. We believe that with our high-quality, competitive projects, we are well placed to generate robust revenues and profits in the coming years.

## **Projects update**

### **AFIMALL City**

The continued improvement in the performance of AFIMALL City is reflected in the 8% year-on-year increase in revenue to US\$64.7 million for the nine-month period, and a 13% year-on-year increase in NOI to US\$50.3 million. Occupancy at the end of Q3 was 92%.

### **Odinburg**

At the Odinburg residential development, the construction of Building 3 (phase II) has commenced. Building 3 (Phase I) and Building 6 (Phase II) are under construction and currently being marketed to customers. Building 6 is scheduled for delivery in Q1 2019.

As of 7 November 2018, 685 apartments (96% of total) were sold in Building 2, 420 (46% of total) in Building 3 (Phase I) and 161 (83% of total) in Building 6.

### **AFI Residence Paveletskaya**

The delivery of Phase I apartments to customers is now complete. Meanwhile, construction work and the marketing of apartments and special units in Phase II continue to plan, with Phase II scheduled for delivery in Q1 2019. As of 7 November 2018, 503 contracts for pre-sales of both apartments and “special units” have been signed (79% of Phase I and Phase II combined).

### **Bolshaya Pochtovaya**

During the nine-month period ended 30 September 2018, the construction and marketing of the project progressed according to plan and as of 7 November 2018, 191 apartments (47% of Phase I and Phase II combined) had been pre-sold to customers.

### **Botanic Garden**

Construction work and pre-sales are also progressing at Botanic Garden. As of 7 November 2018, 224 apartments (28% of Phase I) have been pre-sold to customers.

### **Aquamarine III Business Centre (Ozerkovskaya III)**

In Q1 2018, the Company successfully completed the disposal of Buildings 2 and 4 to one of the leading Russian banks for circa US\$135 million. AFI Development currently owns one remaining building in the complex (GBA 18,805 sq.m, including underground parking), which is leased to Deutsche Bank, Brown-Forman and other tenants.

## **Subsequent events**

1. On 14 November 2018, the Company converted its existing US dollar denominated loans, provided by Bank VTB PJSC at the Plaza Spa Kislovodsk and Plaza Spa Zheleznovodsk projects, into euros at a flat interest rate of 4.2% per annum. The three loans (two at Plaza Spa Kislovodsk and one at Plaza Spa Zheleznovodsk) will have a combined principal of approximately EUR39 million, the outstanding dollar denominated interest has been paid at the date of conversion. The main terms of the loans, except for currency and interest rate, remain unchanged.
2. On 19 November 2018, the Board of Directors of AFI Development accepted the resignation of Mr Mark Groysman from the position of Executive Director, effective 1 December 2018. Mr Groysman’s services on the Board were planned as an interim measure and his resignation follows a new appointment to the Board. Mr. Groysman will continue to serve as the Chief Executive Officer (‘CEO’) of AFI RUS LLC. At the same meeting, the Board appointed Mr Avraham Novogrocki to replace Mr Groysman with such appointment being effective from 1 December 2018.

Mr Novogrocki previously served on the Company's Board between 2012 and 2016. Mr Novogrocki was, until September 2018, CEO of Africa Israel Investments Ltd, a company listed on the Tel-Aviv Stock Exchange in Israel. Prior to assuming the CEO role at Africa Israel Investments Ltd, Mr Novogrocki served as CEO of its subsidiaries, namely Africa Israel Industries Ltd (from 2008 to 2012) and Packer Steel Industries Ltd (from 2007 to 2012), as well as Deputy CEO and CFO of Africa Israel Industries Ltd. Mr Novogrocki holds an MBA and a BA in Economics and Business Administration from the Bar-Ilan University, Israel.

**David Tahan**  
**Chairman of the Board**

**NOT REVIEWED BY AUDITORS**

## **SUMMARY OF FINANCIAL RESULTS**

**For the period from 1 January 2018 to 30 September 2018**

**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
For the period from 1 January 2018 to 30 September 2018

	Note	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
<b>Revenue</b>	2	207,100	142,692
<b>Other income</b>		2,150	634
Operating expenses	4	(44,211)	(40,535)
Cost of sales of trading properties		(84,909)	(54,162)
Administrative expenses	3	(4,031)	(4,335)
Other expenses		(4,006)	(2,013)
<b>Total expenses</b>		<b>(137,157)</b>	<b>(101,045)</b>
Share of the after tax profit of joint ventures		-	1,957
<b>Gross Profit</b>		<b>72,093</b>	<b>44,238</b>
Gain on 100% acquisition of previously held interest in a joint venture		-	7,532
Increase / (decrease) in fair value of properties	7,8	62,257	(13,491)
<b>Results from operating activities</b>		<b>134,350</b>	<b>38,279</b>
Finance income		12,830	12,484
Finance costs		(26,512)	(37,980)
<b>Net finance (costs)/income</b>	5	<b>(13,682)</b>	<b>(25,496)</b>
<b>(Loss)/profit before tax</b>		<b>120,668</b>	<b>12,783</b>
Tax (expense)/benefit	6	(24,070)	(12,220)
<b>(Loss)/profit for the period</b>		<b>96,598</b>	<b>563</b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		96,541	285
Non-controlling interests		57	278
		96,598	563
<b>Earnings per share</b>			
Basic and diluted earnings per share (cent)		9,21	0,03

The unaudited summary of financial results was approved by the Board of Directors on 19 November 2018.



UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 September 2018

	Note	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Assets</b>			
Investment property	7	818,060	818,060
Investment property under development	8	163,240	163,240
Property, plant and equipment	9	74,402	77,633
Long-term loans receivable		7,438	1,669
Intangible assets		519	204
VAT recoverable		37	48
Other investments		5,075	
<b>Non-current assets</b>		<b>1,068,771</b>	<b>1,060,854</b>
Trading properties	10	21,283	10,792
Trading properties under construction	11	276,573	349,735
Other investments		13,391	10,515
Inventories		1,042	1,318
Short-term loans receivable		551	1,090
Trade and other receivables	12	70,256	70,402
Current tax assets		3,950	4,114
Cash and cash equivalents	13	101,078	95,468
<b>Current assets</b>		<b>488,124</b>	<b>543,434</b>
<b>Total assets</b>		<b>1,556,895</b>	<b>1,604,288</b>
<b>Equity</b>			
Share capital		1,048	1,048
Share premium		1,763,409	1,763,409
Translation reserve		(360,566)	(301,287)
Capital reserve		(19,333)	(19,333)
Retained earnings		(562,291)	(672,719)
<b>Equity attributable to owners of the Company</b>		<b>822,267</b>	<b>771,118</b>
<b>Non-controlling interests</b>		<b>(31)</b>	<b>(171)</b>
<b>Total equity</b>		<b>822,236</b>	<b>770,947</b>
<b>Liabilities</b>			
Long-term loans and borrowings	14	512,753	492,484
Deferred tax liabilities		67,439	42,652
Deferred income		12,569	12,641
<b>Non-current liabilities</b>		<b>592,761</b>	<b>547,777</b>
Short-term loans and borrowings	14	23,606	86,775
Trade and other payables	15	42,559	65,106
Advances from customers		75,613	123,766
Income tax payable		120	9,917
<b>Current liabilities</b>		<b>141,898</b>	<b>285,564</b>
<b>Total liabilities</b>		<b>734,659</b>	<b>833,341</b>
<b>Total equity and liabilities</b>		<b>1,556,895</b>	<b>1,604,288</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the period from 1 January 2018 to 30 September 2018

	Note	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		96,598	563
<i>Adjustments for:</i>			
Depreciation	9	709	626
Net finance costs/(income)	5	12,645	24,953
(Increase) / decrease in fair value of properties	7,8	(62,257)	13,491
Share of profit in joint ventures		-	(1,957)
Gain on 100% acquisition of previously held interest in a joint venture		-	(7,532)
Tax expense/(benefit)	6	<u>24,070</u>	<u>12,220</u>
		71,765	42,364
Change in trade and other receivables		11,550	1,435
Change in inventories		125	73
Change in trading properties and trading properties under construction		(27,905)	(10,890)
Change in advances and amounts payable to builders of trading properties under construction		(12,210)	(3,621)
Change in advances from customers		37,703	27,343
Change in trade and other payables		(24,804)	(4,211)
Change in VAT recoverable		5,438	(2,550)
Change in deferred income		<u>1,568</u>	<u>1,166</u>
Cash generated from operating activities		63,230	51,109
Taxes paid		(14,797)	(3,749)
<b>Net cash from operating activities</b>		<b>48,433</b>	<b>47,360</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary net of cash acquired		-	(786)
Proceeds from sale of other investments		6,956	7,206
Proceeds from sale of property, plant and equipment		130	89
Interest received		817	378
Change in advances and amounts payable to builders	15	(478)	3,239
Payments for construction of investment property under development	8	(1,893)	(3,823)
Payments for the acquisition/renovation of investment property	7	(518)	(967)
Change in VAT recoverable		(979)	(588)
Acquisition of property, plant and equipment	9	(844)	(223)
Acquisition of other investments		(21,274)	(6,051)
Acquisition of intangible assets		(898)	-
Proceeds from repayments of loans receivable		482	4,178
Payments for loans receivable		(6,293)	(1,803)
<b>Net cash from / (used in) investing activities</b>		<b>(24,792)</b>	<b>849</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
For the period from 1 January 2018 to 30 September 2018

	Note	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interests		-	(1,369)
Proceeds from loans and borrowings		542,467	43,527
Repayment of loans and borrowings		(548,571)	(8,685)
Interest paid		(17,724)	(28,910)
<b>Net cash used in financing activities</b>		<b>(23,828)</b>	<b>4,563</b>
Effect of exchange rate fluctuations		5,797	(322)
<b>Net increase in cash and cash equivalents</b>		<b>5,610</b>	<b>52,450</b>
Cash and cash equivalents at 1 January		95,468	10,619
<b>Cash and cash equivalents at 30 September</b>	13	<b>101,078</b>	<b>63,069</b>

**NOTES TO THE UNAUDITED SUMMARY OF FINANCIAL RESULTS**  
For the period from 1 January 2018 to 30 September 2018

**1. SUMMARY OF OPERATION**

**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. As of 7 September 2016 the Company is a 64.88% subsidiary of Flotonic Limited, a private holding company registered in Cyprus, 100% owned by Mr Lev Leviev. Prior to that, the Company was a 64.88% subsidiary of Africa Israel Investments Ltd (“Africa-Israel”), which is listed on 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.

This summary of financial results comprises the Company and its subsidiaries (together referred to as the “Group”). The principal activity of the Group is real estate investment and development.

The summary of financial results was not audited. The amounts are based on the Group’s financial information, which is prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union (“EU”) and the Group’s accounting policy, while the disclosures and presentation are not in compliance with IFRSs, specifically with IAS 34 “Interim Financial Reporting” and IAS 1 “Presentation of Financial Statements”.

### Exchange rates

The table below shows the exchange rates of Russian Rubles, 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:	Russian Rubles for US\$1	% change nine months	% change year
30 September 2018	65.5906	13.1	13.9
31 December 2017	57.6002		(5.0)
30 September 2017	58.0169		(4.4)
Average rate during:			
Nine-month period ended 30 September 2018	61.4358		5.3
Nine-month period ended 30 September 2017	58.3344		(14.7)

## 2. REVENUE

	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
Investment property rental income	70,162	64,133
Sales of trading properties (note 10)	10,914	57,034
Sales of residential – transferred over time* (note 11)	101,514	-
Hotel operation income	23,781	21,374
Non-core activity revenue	729	-
Construction consulting/management fees	-	151
	<b>207,100</b>	<b>142,692</b>

\*The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

## 3. ADMINISTRATIVE EXPENSES

	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
Consultancy fees	487	257
Legal fees	1,143	1,122
Auditors' remuneration	245	466
Valuation expenses	43	60
Directors' remuneration	885	993
Depreciation	81	82
Insurance	113	118
Provision for Doubtful Debts	(283)	40
Donations	40	67
Other administrative expense	1,277	1,130
	<b>4,031</b>	<b>4,335</b>

#### 4. OPERATING EXPENSES

	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
Maintenance, utility and security expenses	14,980	13,653
Agency and brokerage fees	1,799	1,037
Advertising expenses	5,312	4,121
Salaries and wages	10,769	11,069
Consultancy fees	1,802	716
Depreciation	629	544
Insurance	323	395
Rent	980	1,405
Property and other taxes	7,563	7,545
Other operating expenses	54	50
	<b>44,211</b>	<b>40,535</b>

#### 5. FINANCE COST AND FINANCE INCOME

	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
Interest income	1,018	688
Net foreign exchange gain	11,812	11,796
<b>Finance income</b>	<b>12,830</b>	<b>12,484</b>
Interest expense on loans and borrowings	(23,957)	(37,082)
Net change in fair value of financial assets	(1,517)	(355)
Other finance costs	(1,038)	(543)
<b>Finance costs</b>	<b>(26,512)</b>	<b>(37,980)</b>
<b>Net finance (costs)/income</b>	<b>(13,682)</b>	<b>(25,496)</b>

#### 6. TAX EXPENSE / (BENEFIT)

	Unaudited 1/1/18- 30/9/18 US\$ '000	Audited 1/1/17- 30/9/17 US\$ '000
<b>Current tax expense</b>		
Current year	4,363	2,919
<b>Deferred tax expense/(benefit)</b>		
Origination and reversal of temporary differences	19,707	9,301
<b>Total income tax expense/(benefit)</b>	<b>24,070</b>	<b>12,220</b>

#### 7. INVESTMENT PROPERTY

Reconciliation of carrying amount

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Balance 1 January</b>	<b>818,060</b>	<b>915,350</b>
Renovations / additional costs	518	998
Disposals	(903)	(140,026)
Fair value adjustment	50,655	18,218
Effect of movement in foreign exchange rates	(50,270)	23,520
<b>Balance 30 September / 31 December</b>	<b>818,060</b>	<b>818,060</b>

The fair value adjustment in investment property is mainly related to the weakening of the Russian Rouble to the US Dollar by 13.9% during the nine months of 2018.

The Company assessed that the fair value of the properties has not materially changed since 31 December 2017, when a valuation by external appraisers took place, as there were no significant changes in the macroeconomic conditions in Russia. The same applies for investment property under development. See note 8 below.

## 8. INVESTMENT PROPERTY UNDER DEVELOPMENT

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Balance 1 January</b>	<b>163,240</b>	<b>232,900</b>
Construction costs	1,893	4,865
Transfer to trading properties under construction (note 11)	-	(74,100)
Fair value adjustment	11,602	(6,648)
Effect of movements in foreign exchange rates	(13,495)	6,223
<b>Balance 30 September / 31 December</b>	<b>163,240</b>	<b>163,240</b>

The fair value adjustment in investment property under development is mainly related to the weakening of the Russian Rouble to the US Dollar by 13.9% during the nine months of 2018.

The Company assessed that the fair value of the properties has not materially changed since 31 December 2017, when a valuation by external appraisers took place, as there were no significant changes in the macroeconomic conditions in Russia.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Balance 1 January</b>	<b>77,633</b>	<b>31,215</b>
Effect of acquisition of subsidiary	-	45,580
Depreciation charge	(709)	(846)
Additions	844	484
Disposals	(130)	(137)
Transfer from trading properties	4,278	-
Effect of movements in foreign exchange rates	(7,514)	1,337
<b>Balance 30 September / 31 December</b>	<b>74,402</b>	<b>77,633</b>

## 10. TRADING PROPERTIES

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Balance 1 January</b>	<b>10,792</b>	<b>6,854</b>
Transfer from trading properties under construction (note 11)	23,054	63,202
Transfer to property, plant and equipment	(4,278)	-
Disposals	(7,206)	(59,747)
Effect of movements in exchange rates	(1,079)	483
<b>Balance 30 September / 31 December</b>	<b>21,283</b>	<b>10,792</b>

Trading properties comprise unsold apartments and parking spaces. The transfer from trading properties under construction represents the completion of the construction of a number of flats, offices and parking places of “AFI Residence Paveletskaya” project during the nine months period of 2018, and of “Odinburg” project during the year 2017.

The amount recognised to cost of sales of trading properties represents the sale of completed flats or parking places recognised at a point in time. For the year ended 31 December 2017 this amount represents the amount transferred to the income statements upon transferring of the rights to the buyers according to the signed acts of transfer in accordance with the previous accounting policy as per IAS18.

## 11. TRADING PROPERTIES UNDER CONSTRUCTION

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Balance 1 January as previously reported</b>	<b>349,735</b>	<b>243,327</b>
Effect of adoption of IFRS 15 as at 1 January 2018*	<u>(59,801)</u>	<u>-</u>
Restated balance at 1 January	289,934	243,327
Transfer from investment property under development (note 8)	-	74,100
Transfer to trading properties (note 10)	(23,054)	(63,202)
Cost of sale of trading properties	(77,703)	-
Construction costs	106,199	96,481
Impairment	-	(9,548)
Finance cost capitalised	6,615	-
Effect of movements in exchange rates	(25,418)	8,577
<b>Balance 30 September / 31 December</b>	<b>276,573</b>	<b>349,735</b>

\*The Group has adopted IFRS 15 Revenue from Contracts with Customers as from 1 January 2018.

Trading properties under construction comprise “Odinburg”, “AFI Residence Paveletskaya”, “Botanic Garden” and “Bolshaya Pochtovaya” projects that involve primarily the construction of residential properties.

The amount recognised to cost of sales of trading properties, represents the cost incurred to date for the construction of the apartments and flats which were sold but not yet completed based on the new standard IFRS 15 adopted as from 1 January 2018.

## 12. TRADE AND OTHER RECEIVABLES

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
Advances to builders	48,280	29,313
Amounts receivable from related parties	133	109
Trade receivables, net	5,824	3,458
Other receivables	7,431	21,713
VAT recoverable	4,513	9,889
Tax receivables	4,075	5,920
	<b>70,256</b>	<b>70,402</b>

### Trade receivables net

Trade receivables are presented net of an accumulated provision for doubtful debts and unrecognised revenue of US\$8,125 thousand (31/12/2017: US\$10,522 thousand).

## 13. CASH AND CASH EQUIVALENTS

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Cash and cash equivalents consist of:</b>		
Cash at banks	100,805	95,102
Cash in hand	273	366
<b>Cash and cash equivalents as per statement of cash flows:</b>	<b>101,078</b>	<b>95,468</b>

## 14. LOANS AND BORROWINGS

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
<b>Non-current liabilities</b>		
Secured bank loans	512,753	492,484
	<b>512,753</b>	<b>492,484</b>
<b>Current liabilities</b>		
Secured bank loans	23,334	86,468
Unsecured loans from other non-related companies	272	307
	<b>23,606</b>	<b>86,775</b>

The following changes to the loans took place during the nine-month period ended 30 September 2018:

A new loan facility was acquired by one of the Group's subsidiaries, Bellgate Construction Ltd ("Bellgate"), based on a loan agreement signed on the 28 December 2017. This new loan facility was used to refinance the previous loan from VTB Bank JSC ("VTB") signed on 22 June 2012 with a maturity date in April 2018 and was also used to repay the remainder amount of US\$83 million, of Ozerkovskaya III loan which expired in January 2018. Bellgate received the new loan in five tranches, during January and February 2018, in Euros and in Russian Rubles. The blended interest rate on the new loan is circa 5.6% (assuming current EUR/RUR exchange rate and



current Russian Central Bank key lending rate). The interest and the principal of the new loan are to be paid quarterly, while the term of the loan is 5 years.

In January 2018, the Company's subsidiary MKPK PJSC (the owner of the AFI Residence Paveletskaya Project) received a loan from VTB Bank PJSC in the amount of RUR711 million to refinance the previously incurred costs for the construction of the project. The loan bears floating interest rate of the Russian Central Bank key lending rate + 1.5%. The principal on the loan is payable monthly, while the interest is payable quarterly. The loan was fully repaid in June 2018.

## 15. TRADE AND OTHER PAYABLES

	Unaudited 30/9/18 US\$ '000	Audited 31/12/17 US\$ '000
Trade payables	7,034	13,756
Payables to related parties	233	183
Amount payable to builders	17,805	8,510
Provision	6,320	6,830
VAT and other taxes payable	5,515	28,982
Other payables	5,652	6,845
	<b>42,559</b>	<b>65,106</b>

Provision represents the estimated cost of construction of common use areas of the Odinburg project such as hospital and school which is an obligation of the Group to build and make available for use by the residents.

## 16. SUBSEQUENT EVENTS

On 14 November 2018 the Company converted its existing US dollar denominated loans provided by Bank VTB PJSC at the Plaza Spa Kislovodsk and Plaza Spa Zheleznovodsk projects into euros, at a flat interest rate of 4.2% per annum. The three loans (two at Plaza Spa Kislovodsk and one at Plaza Spa Zheleznovodsk) will have a combined principal of about EUR39 million, the outstanding dollar denominated interest has been paid at the date of conversion. The main terms of the loans, except for currency and interest rate, did not change.

On 19 November 2018 the Board of Directors of AFI Development accepted the resignation of Mr Mark Groysman from the position of executive director effective 1 December 2018. Mr Groysman's services on the Board were planned as an interim measure and his resignation follows a new appointment to the Board. Mr. Groysman will continue to serve as the chief executive officer of AFI RUS LLC. At the same meeting, the Board appointed Mr Avraham Novogrocki as a non-executive director to replace Mr Groysman with such appointment being effective as from 1 December 2018.

Mr Novogrocki previously served on the Company's Board between 2012 and 2016. Mr Novogrocki was, until September 2018, CEO of Africa Israel Investments Ltd (a company listed on the Tel-Aviv Stock Exchange, Israel). Prior to assuming the CEO role at Africa Israel Investments Ltd, Mr Novogrocki served as CEO of its subsidiaries, namely Africa Israel Industries Ltd. (from 2008 to 2012) and Packer Steel Industries Ltd. (from 2007 to 2012), as well as Deputy CEO and CFO of Africa Israel Industries Ltd. Mr Novogrocki holds a MBA and a BA in Economics and Business Administration from the Bar-Ilan University, Israel.