

Offer for AFI Development Plc

Released : 25/10/19 18:25

RNS Number : 2385R
Flotonic Limited
25 October 2019

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THIS ANNOUNCEMENT IS NOT INTENDED TO, AND DOES NOT, CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO PURCHASE, OTHERWISE ACQUIRE, SUBSCRIBE FOR, SELL OR OTHERWISE DISPOSE OF, ANY SECURITIES OR THE SOLICITATION OF ANY VOTE OR APPROVAL IN ANY JURISDICTION PURSUANT TO THE OFFERS OR OTHERWISE. THE OFFERS WILL BE MADE SOLELY THROUGH THE OFFER DOCUMENT, WHICH WILL BE PUBLISHED IN DUE COURSE AND CONTAIN THE FULL TERMS AND CONDITIONS OF THE PROPOSED ACQUISITION, INCLUDING DETAILS OF HOW THE OFFERS MAY BE ACCEPTED. ANY ACCEPTANCE OR OTHER RESPONSE TO THE OFFERS SHOULD BE MADE ONLY ON THE BASIS OF THE INFORMATION IN THE OFFER DOCUMENT.

FOR IMMEDIATE RELEASE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

25 October 2019

CASH OFFERS (the "Offers")

for

AFI Development Plc ("AFI Development Plc" or the "Company")

by

FLOTONIC LIMITED ("Flotonic" or the "Offeror")

1. Summary and highlights

The board of AFI Development Plc and the board of Flotonic announce the firm intention of making a takeover bid under the terms of two cash offers. The board of AFI Development Plc recommend that Security Holders should seriously consider the A Share Offer and the B Share Offer (together the "Offers") for the reasons outlined below. The Offers to be made by Flotonic are for in aggregate the remaining issued and to be issued share capital of AFI Development Plc not currently owned or controlled by Flotonic.

The Offers, in aggregate, value the fully diluted existing issued ordinary share capital of the Company at approximately US\$314 million.

A Share Offer

The A Share Offer will be at a price of US\$0.300 in cash for each A Ordinary Share (whether held directly or indirectly through a GDR) (the "**A Share Offer Price**") representing a premium of approximately:

- (i) 43 per cent. to the Closing Price of US\$ 0.210 per GDR on 23 September 2019, being the last Business Day prior to the day Flotonic has approached the board of AFI Development Plc;
- (ii) 46 per cent. to the twelve-month average price of US\$ 0.205 per GDR on 24 October 2019, being the last Business Day prior to this Announcement;
- (iii) 44 per cent. to the six-month average price of US\$ 0.208 per GDR on 24 October 2019, being the last Business Day prior to this Announcement; and
- (iv) 11 per cent. to the Closing Price of US\$ 0.270 per GDR on 24 October 2019, being the last Business Day prior to this Announcement.

B Share Offer

The B Share Offer, will be at a price of US\$ 0.300 in cash for each B Ordinary Share (the "**B Share Offer Price**"), representing a premium of approximately:

- (i) 21 per cent. to the Closing Price of US\$0.248 per B Ordinary Share on 23 September 2019, being the last Business Day prior to the day Flotonic has approached the board of AFI Development Plc;
- (ii) 53 per cent. to the twelve-month average price of US\$ 0.195 per B Ordinary Share on 24 October 2019, being the last Business Day prior to this Announcement;
- (iii) 42 per cent. to the six-month average price of US\$ 0.211 per B Ordinary Share on 24 October 2019, being the last Business Day prior to this Announcement; and

- (iv) 6 per cent. to the Closing Price of US\$ 0.284 per B Ordinary Share on 24 October 2019, being the last Business Day prior to this Announcement.

2. Existing holdings

Flotonic is a private company incorporated in the Republic of Cyprus whose shares have never been admitted to trading on a regulated market or multilateral trading facility in the UK or elsewhere. Flotonic's principal asset is its holding of securities in the Company. Flotonic is ultimately beneficially owned by Mr. Leviev.

As at the date of this Announcement, Flotonic owns or controls:

- 336,948,796 GDRs in the Company, representing 64.32 per cent. of the issued A Ordinary Shares, with each GDR representing one A Ordinary Share; and
- 342,799,658 B Ordinary Shares, representing 65.44 per cent. of the issued B Ordinary Shares.

As a result, in aggregate, Flotonic is interested in 679,748,454 Securities representing 64.88 per cent. of the issued share capital of the Company.

3. Regulation of the Offers

As Flotonic already has "control" of the Company, the Offers do not have "*as its objective, the acquisition of control of the offeree company in accordance with national law*". In addition, the Company is registered in the Republic of Cyprus, accordingly, the Offers are not subject to the Code. Accordingly, any offer by the Offeror will not be subject to the jurisdiction of, and is not being regulated or reviewed by, the Panel and the Panel does not have any responsibility, in relation to the Company, for ensuring compliance with the Code and is not able to answer any Security Holder's queries.

Further, since the Offeror has its registered office in the Republic of Cyprus and the B Ordinary Shares and the GDRs are listed on a regulated market in the UK, CySec has confirmed that it will take jurisdiction only in respect of the key issues of the Offers relating to employee information and Cypriot company law matters.

4. Background to, and reasons for, the Offers

Flotonic believes that the Offers provide the following key benefits.

Attractive value

Flotonic is offering a premium of approximately 46 per cent. and 53 per cent. to the twelve-month average prices of the GDRs and B Ordinary Shares respectively prior to the date of this Announcement. The Offeror considers that the A Share Offer Price and the B Share Offer Price both represent an attractive premium when considered on a relative basis compared to the recent market price of the GDRs and the B Ordinary Shares and in the context of relevant precedent real estate transactions and minority buy-out transactions.

Certainty for investors

The Offeror considers that the Offers provide Security Holders with an immediate and certain exit opportunity to crystallize the value of their holdings, for cash at an attractive premium. In particular against a backdrop of:

- *Market volatility* - the Offeror believes that the current complex geopolitical environment and the prevailing market volatility in Russia (including in the real estate and retail sectors) raises and heightens certain risks facing the Company's business. These risks, if they materialise, could adversely impact the Company's core operations as well as its investments and affect its growth strategy in the medium term;
- *Russian residential real estate market associated risks* - adverse consequences of the recently introduced escrow scheme in Russian residential real estate for mid-sized developers (whereby developers are no longer able to use monies paid by their customers to finance construction and development), additional taxation and the launch of the state-funded housing renovation programme in Moscow are expected to continue to place downward pressure on residential real estate sector revenues and drive up investment costs for all development projects;
- *Local real estate sector* - changes in residential market conditions may result in limited opportunities for the Company to acquire and develop new land plots and projects and realise lower than expected sale prices. The Offeror considers that, given the prevailing market conditions, the Company may face more uncertainty in the securing of financing on favorable terms for any such development;
- *Russian commercial real estate and retail market* - global retail e-commerce development has, and will continue to have, an increasing impact in Russia resulting in discounted pricing in the Russian retail real estate sector. Recent history also demonstrates that foreign investors in Russia have exited the real estate sector by disposing of their commercial portfolios at prices that were significantly below their initial investment values;
- *Macroeconomic conditions* - additional uncertainties around further deterioration of macroeconomic conditions, such as the imposition of sanctions, trade wars and volatility in oil prices, may have an adverse impact on tenants' performance and on the retail market in Russia, which, could in turn adversely affect the Company's investments, net asset value (NAV) and ultimately the value of the Company's Securities; and
- *Limited trading volumes* - the Company's Securities continue to experience very limited trading volumes (only 6% of GDRs and 10% of B Ordinary Shares have been traded from January 2017 to September 2019). These low trading volumes may result in limited appetite by new investors to acquire the Company's Securities.

In addition, the Offeror believes that the above factors also underpin the rationale that the Company's portfolio of assets would best be undertaken by a private company having the strategic flexibility to manage the more entrepreneurial development risks and capital expenditure of the business and to react to potential operational opportunities under the decision making of a single shareholder, rather than in a highly regulated listed environment with limited institutional interest and as a result low liquidity, which hinders investors' ability to monetise their shareholdings.

5. Recommendation

The AFI Development Plc Directors recommend that the Security Holders seriously consider the Offers for the reasons outlined below. The AFI Development Plc Directors consider that the Offers represent a material premium to 23 September 2019, being the last Business Day prior to the day Flotonic approached the board of AFI Development Plc and six months and twelve months average prices of the Company's shares and GDRs respectively. The AFI Development Plc Directors, who have been advised by BDO as to the financial terms of the Offers, recognise that whilst the Offers represent a discount to the net asset value of the Company there is no likelihood of realising such value in the near or medium term future. In addition, there are a number of other reasons to accept the Offers that Security Holders should seriously consider:

- The Offers represent an opportunity for Security Holders to realise their investment for cash at a premium to the recent share price and without dealing costs;
- There is limited liquidity in both the A Securities and the B Ordinary Shares and no dividend income for Security Holders;

- AFI Development Plc is already under the control of Flotonic and Flotonic can already effectively determine the choice of strategic options for AFI Development Plc, including whether to dispose of any of AFI Development Plc' material assets; and
- AFI Development Plc is exposed to volatile market conditions, especially in respect of residential property in Moscow, and the general vulnerability of the Russian economy to external and internal challenges.

In providing advice to the AFI Development Plc Directors, BDO has taken into account the commercial assessments of the AFI Development Plc Directors.

Accordingly, the AFI Development Plc Directors unanimously recommend the holders of the A Securities to seriously consider the A Share Offer and the holders of the B Ordinary Shares to seriously consider the B Share Offer.

Holders of the A Securities and the B Ordinary Shares should consider carefully the information set out above in making a decision as to whether to accept the Offers having regard to their own personal circumstances.

6. Structure of the Offers

The A Share Offer

The A Share Offer is being made subject to the Conditions in section 2 of Appendix 1, certain further terms set out in Appendix 1 and the full terms and conditions to be set out in the Offer Document. The Offer Document containing full information relating to the Offers, including their terms and conditions, will be published in due course.

If the A Share Offer becomes, or is declared, unconditional in all respects, the Offeror intends to procure that the Company will make an application for the cancellation of the listing of the GDRs on the Official List and for the cancellation of trading of the GDRs on the Main Market of the London Stock Exchange. It is anticipated that the cancellation of listing on the Official List and cancellation of trading on the London Stock Exchange will take effect no earlier than 20 Business Days after the date on which the A Share Offer becomes, or is declared, unconditional in all respects.

Cancellation of trading of the GDRs is likely to reduce significantly the liquidity and marketability of any A Securities in respect of which the A Share Offer has not been accepted at such time. It is also intended that, following implementation of the A Share Offer, the Offeror will seek to unwind the GDR programme.

GDR Holders will be able to participate in the A Share Offer with respect to the A Ordinary Shares underlying their GDRs, as more particularly described in the Offer Document. An Offer in respect of the A Ordinary Shares, to which the GDRs relate, shall only constitute one offer for the relevant A Securities and may only be accepted once by either the holder of the relevant A Ordinary Share or the relevant GDR Holder giving an instruction to accept the Offer. Any such acceptance shall be deemed to have been made on behalf of the holder of the relevant A Ordinary Share and the relevant GDR Holder.

The B Share Offer

The B Share Offer is being made subject to the Conditions in Section 1 of Appendix 1, certain further terms set out in Appendix 1 and the full terms and conditions to be set out in the Offer Document.

If the B Share Offer becomes or is declared unconditional in all respects, and if the Offeror:

- by virtue of its existing holdings of B Ordinary Shares, acceptances of the B Share Offer or otherwise, owns or controls or has acquired or agreed to acquire Securities in aggregate carrying at least 75 per cent of the voting rights attaching to the B Ordinary Shares; and
- has obtained valid acceptances from, or acquired or agreed to acquire B Ordinary Shares from, Independent B Shareholders of the Company representing a majority of the voting rights attached to B Ordinary Shares held by Independent B Shareholders of the Company on 25 October 2019, being the date on which the Offeror's firm intention to make the B Share Offer was announced (the "**Delisting Threshold**"),

the Offeror intends to procure that the Company will make an application for the cancellation of the listing of the B Ordinary Shares on the Official List and for the cancellation of trading of the B Ordinary Shares on the London Stock Exchange's main market for listed securities. It is anticipated that the cancellation of listing on the Official List and cancellation of trading on the London Stock Exchange will take effect no earlier than 20 Business Days after the date on which the B Share Offer becomes, or is declared, unconditional in all respects provided that the Offeror has attained the Delisting Threshold.

Cancellation of admission to trading is likely to reduce significantly the liquidity and marketability of any B Ordinary Shares in respect of which the B Share Offer has not been accepted at such time.

As at the date of this Announcement, the Offeror owns or controls 342,799,658 B Ordinary Shares, representing approximately 65.44 per cent. of the issued B Ordinary Shares. Based on the current interests of the Offeror, it is expected that the Delisting Threshold will be met if and when the Offeror is interested in or has received valid acceptances in respect of the B Share Offer relating to, in aggregate, approximately 82.72 per cent. of the issued B Ordinary Shares.

General

One of the Conditions to the A Share Offer is the B Share Offer becoming or being declared unconditional in all respects (the "**Joint Offer Condition**"). However, the Joint Offer Condition, like the other Conditions, can be waived by the Offeror in its sole discretion so that it is possible for:

- the A Share Offer to proceed, but the B Share Offer not proceed, if the Conditions to the B Share Offer are not satisfied or waived; or
- the B Share Offer to proceed, but the A Share Offer not proceed, if the Conditions to the A Share Offer are not satisfied or waived.

The B Share Offer is not conditional upon the A Share Offer becoming or being declared unconditional in all respects.

If the A Share Offer becomes, or is declared, unconditional in all respects and the B Share Offer becomes, or is declared, unconditional in all respects and the Offeror holds or has, by way of acceptances of the A Share Offer and/or the B Share Offer, acquired (or contracted to acquire) directly or indirectly Securities carrying in aggregate not less than 90 per cent of the voting rights then normally exercisable at a general meeting of the Company, the Offeror intends to exercise its rights pursuant to the provisions of Cyprus law to acquire compulsorily the remaining Securities in respect of which the A Share Offer or the B Share Offer has not been accepted, on the same terms as the A Share Offer or the B Share Offer respectively.

It is also intended that, following implementation of the A Share Offer and the B Share Offer, the Offeror will seek to amend the Company's articles of association to, among other things, replace the existing two classes of shares with a single class of ordinary shares and convert the Company to a private limited company.

7. **Enquiries**

Flotonic Limited		Natalia Pirogova	+7 965 3920595
VTB Capital plc	Offeror Group financial adviser	Alexander Metherell Elena Loseva	+44 (0) 2033348708
BDO LLP	Company's financial advisers	John Stephan Susan Jarram	+ 44 (0) 207 486 5888

This summary should be read in conjunction with, and is subject to, the full text of the following Announcement. Appendix 1 sets out the Conditions to which the Offers will be subject and refers to its further terms and conditions (which will be set out in full in the Offer Document when issued). Appendix 2 contains the sources of financial information and bases of calculation used in this Announcement. Appendix 3 sets out the definitions of certain terms and expressions used in this Announcement.

8. **Further information**

This Announcement, which does not constitute a prospectus or prospectus equivalent (or document containing information on the transaction and its impact on the issuer for the purposes of the Prospectus Regulation Rules), is for information purposes only and is not intended to, and does not constitute, or form part of an invitation or offer to sell or to purchase, or otherwise subscribe for or acquire, or to sell or otherwise dispose of any securities, or the solicitation of an offer to purchase or subscribe for any securities, or any solicitation of any vote of approval in any jurisdiction pursuant to the Offers or otherwise.

The full terms and conditions of the Offers (including details of how the Offers may be accepted, or in the case of eligible GDR Holders (where relevant), to instruct the GDR Depository to accept the A Share Offer on their behalf) will be set out in the Offer Document and the documentation accompanying the Offer Document, which in the case of Certificated Shares, includes the related Form(s) of Acceptance. The Offers shall be made solely through the Offer Document and the documentation accompanying the Offer Document, which in the case of Certificated Shares, includes the relevant Form(s) of Acceptance, and any acceptance of the Offers should be made only on the basis of the information contained in the Offer Document and, in the case of Certificated Shares, the relevant Form(s) of Acceptance. Further details of how eligible holders of GDRs can accept the A Share Offer will be set out in the Offer Document.

The Offer Document and, in the case of Certificated Shares, the Form(s) of Acceptance will be posted to the Security Holders as soon as practicable and in any event within 28 days of the date of this Announcement save as may otherwise be agreed by the Offeror and the Company.

VTB Capital plc ("**VTBC**"), which is authorised and regulated by the FCA and the Prudential Regulation Authority in the UK, is acting exclusively for the Offeror Group and no-one else in connection with the Offers and this Announcement, and will not be responsible to anyone other than the Offeror Group for providing the protections afforded to clients of VTBC nor for providing advice in connection with the Offers or this Announcement or any matter referred to herein.

BDO LLP ("**BDO**"), which is authorised and regulated in the UK by the FCA, is acting exclusively for the Company and no-one else in connection with the Offers and this Announcement, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of BDO nor for providing advice in connection with the Offers or this Announcement or any matter referred to herein.

The Offers shall be made solely by the Offeror and neither VTBC nor any of its affiliates are making the Offers.

In accordance with, and to the extent permitted by Cypriot Takeover Law and normal UK market practice and pursuant to Rule 14e-5(b)(12) under the U.S. Securities Exchange Act of 1934, the Offeror or its nominees or brokers (acting as agents) or their respective affiliates may from time to time make certain purchases of, or arrangements to purchase, Securities, outside the United States, otherwise than pursuant to the Offers, before or during the period in which the Offers remain open for acceptance, such as in open market at prevailing prices or privately negotiated purchases at negotiated prices. Such purchases, or arrangements to purchase, will comply with all applicable UK and Cypriot rules, including the rules of the London Stock Exchange and the Financial Conduct Authority, to the extent applicable.

The availability of the Offers and the release and/or distribution of this Announcement in or into jurisdictions other than the UK or the Republic of Cyprus may be restricted by the laws and regulations of those jurisdictions and therefore persons who are not resident in the UK or the Republic of Cyprus into whose possession this Announcement comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Offers are not intended to be made, directly or indirectly, in, into or from any Restricted Jurisdiction and the Offers will not be capable of acceptance from or within any Restricted Jurisdiction. Accordingly, copies of this Announcement are not being and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction, and persons receiving this Announcement (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such Restricted Jurisdictions as doing so may invalidate any purported acceptance of the Offers.

This Announcement has been prepared in compliance with Cypriot law and regulation and Cypriot Takeover Law and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of jurisdictions outside the Republic of Cyprus.

This Announcement is not an offer of securities for sale in the United States, Canada, Australia or Japan or in any other jurisdiction in which such an offer is unlawful.

Neither the Securities and Exchange Commission in the United States nor any state securities commission in the United States has reviewed, approved or disapproved this Announcement or any of the proposals contained in this Announcement.

9. **Overseas Security Holders**

Unless otherwise determined by the Offeror, the Offers will not be made, directly or indirectly, in or into, or by the use of mail or by any other means or instrumentally (including, without limitation, by any means of telephone, facsimile, telex, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction. Accordingly, unless otherwise determined by the Offeror, the Offers (and any documentation relating thereto) will not be, and must not be, directly or indirectly, mailed or otherwise forwarded, transmitted, distributed, sent or accessed in or into or from (whether by issue of the mail or by any other means or instrumentally (including, without limitation, by any means of telephone, facsimile, telex, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and persons receiving this Announcement (including without limitation custodians, nominees and trustees) should observe these restrictions and must not mail or otherwise forward, transmit, distribute or send it in or into or from Canada, Australia or Japan or any other Restricted Jurisdiction as doing so may render invalid any purported acceptance of the Offers.

The availability of the Offers or the distribution of this Announcement to Security Holders who are not resident in the Republic of Cyprus or, the UK may be restricted by the laws of the relevant jurisdiction in which they are located or of which they are citizens. Such persons should inform themselves of, and observe, all applicable legal and regulatory requirements of their jurisdictions. Any failure to comply with the requirements of such jurisdictions may constitute a violation of the securities laws of such jurisdictions. Further details in relation to Overseas Security Holders will be contained in the Offer Document.

10. Notices to US Investors

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY U.S. STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THESE OFFERS, PASSED UPON THE FAIRNESS OR MERITS OF THIS ANNOUNCEMENT OR DETERMINED WHETHER THIS ANNOUNCEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The Offers, which are open to Security Holders in the United States, will be subject to the laws of England and the Republic of Cyprus. It is important for Security Holders in the United States to be aware that this document is subject to disclosure regulations in the UK and disclosure and takeover law and regulations in the Republic of Cyprus that are different from those in the United States. In addition, U.S. Securities Holders should be aware that this document has been prepared in accordance with English and Cypriot format and style, which differs from the U.S. format and style. In particular the financial information prepared by the Company has been prepared in accordance with international financial reporting standards, and this may not be comparable to financial information of U.S. companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

As applicable, the Offeror will comply with regulation 14e under the U.S. Securities Exchange Act of 1934, as amended, subject to any exemption of partial exemption which it may determine is applicable prior to commencing the Offers. The Offers have not yet commenced. It may be difficult to enforce any rights and any claim arising under the U.S. federal securities laws since the Offeror and the Company are located in non-U.S. jurisdictions and some or all of their officers or directors may be residents of non-U.S. jurisdictions. Therefore, it may not be possible to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

11. Notice to persons resident or located in Russia

THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT IS ADDRESSED EXCLUSIVELY TO THE HOLDERS OF B ORDINARY SHARES OR THE A SECURITIES OF THE COMPANY. NEITHER THIS ANNOUNCEMENT NOR THE OFFERS DESCRIBED HEREIN NOR ANY INFORMATION CONTAINED HEREIN CONSTITUTE AN OFFER PURSUANT TO RUSSIAN LAW, OR AN ADVERTISEMENT, OR AN OFFER OF SECURITIES TO AN UNLIMITED NUMBER OF PERSONS WITHIN OR OUTSIDE THE TERRITORY OF THE RUSSIAN FEDERATION. NEITHER THIS ANNOUNCEMENT NOR THE OFFERS DESCRIBED HEREIN CONSTITUTE OR ARE INTENDED FOR PLACEMENT OR CIRCULATION OF SECURITIES OF FOREIGN ISSUERS IN THE RUSSIAN FEDERATION. NEITHER THE B ORDINARY SHARES OR THE A SECURITIES OF THE COMPANY, TO WHICH THE OFFERS RELATE, ARE REGISTERED IN THE RUSSIAN FEDERATION OR ADMITTED TO PLACEMENT, PUBLIC PLACEMENT OR PUBLIC CIRCULATION IN THE RUSSIAN FEDERATION IN ACCORDANCE WITH ARTICLE 51.1 OF RUSSIAN FEDERAL LAW DATED 22 APRIL, 1996 NO. 39 FZ "ON THE SECURITIES MARKET" (AS AMENDED)

12. Notice to persons resident or located in Israel

FOR THE AVOIDANCE OF DOUBT IT IS HEREBY CLARIFIED, THAT SINCE THE SECURITIES OF THE COMPANY ARE NOT LISTED ON A STOCK EXCHANGE IN ISRAEL, THE OFFERS SHALL NOT CONSTITUTE AN OFFER PURSUANT TO THE ISRAELI SECURITIES LAW AND CONSEQUENTLY THE PROVISIONS OF THE ISRAELI SECURITIES REGULATIONS (TENDER OFFER) 2000 OR OTHER PROVISIONS OF ISRAELI SECURITIES LAW, WILL NOT APPLY TO THE OFFERS.

13. No Profit Forecast or Estimates

Nothing in this Announcement is intended to be, or is to be construed as, a profit forecast or to be interpreted to mean that earnings per B Ordinary Share, A Ordinary Share or GDR for the current or future financial years, will necessarily match or exceed the historical published earnings per B Ordinary Share, A Ordinary Share or GDR.

14. Cautionary note regarding forward-looking statements

This Announcement may contain 'forward-looking statements' concerning the Offeror and the Company. Generally, use of words such as 'anticipate', 'believe', 'assume', 'predict', 'shall', 'risk', 'positioned', 'continue', 'estimate', 'expect', 'forecast', 'intend', 'may', 'plan', 'project', 'should', 'will' or similar expressions is likely to identify forward-looking statements, which reflect current views about future events but are subject to risks, assumptions and uncertainties that could cause actual outcomes to differ materially from those expressed or implied in a forward-looking statement. Many such risks, assumptions and uncertainties relate to factors which those making the forward-looking statement are unable to control or estimate precisely: for example, future market conditions, changes in general economic and business conditions, changes in currency exchange and interest rates, introduction of new or competing products or services, lack of acceptance of new products or services and the behaviour of other market participants. The Offeror cannot give assurances that the forward-looking statements will prove to have been correct. Accordingly, forward-looking statements should be regarded with caution, and undue reliance should not be placed upon them, as such statements speak only as at the date of this Announcement. The directors of the Offeror do not intend and accept no obligation to update forward-looking statements except as may be required by specific applicable legal requirement.

15. Information relating to Security Holders

Please be aware that addresses, electronic addresses and certain other information provided by the Security Holders, persons with information rights and other relevant persons for the receipt of communications from the Company may be provided to the Offeror during the offer period, commencing on the date of this Announcement.

16. Website publication

This Announcement will be made available for inspection, subject to certain restrictions relating to persons resident in any Restricted Jurisdiction, on the Company's website at <https://www.afi-development.com/en/> by no later than 12 noon on the business day immediately following the date of this Announcement. No other information contained in the Company's websites is incorporated by reference into this Announcement.

17. Shares in issue

The Company confirms that, as of today's date, the Company has in issue 523,847,027 A Ordinary Shares (whether held directly or indirectly through a GDR) and 523,847,027 B Ordinary Shares (ISIN:CY0101380612). The GDRs are issued in the form of Regulation S GDRs (ISIN: US00106J2006) and Rule 144A GDRs (ISIN: US00106J1016).

18. Separate Advice

If you are in any doubt about the Offers and/or the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

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for

AFI DEVELOPMENT PLC ("AFI Development Plc" or the "Company")

by

FLOTONIC LIMITED PLC ("Flotonic" or the "Offeror")

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- (iv) 11 per cent. to the Closing Price of US\$ 0.270 per GDR on 24 October 2019, being the last Business Day prior to this Announcement.

B Share Offer

The B Share Offer will be at a price of US\$ 0.300 in cash for each B Ordinary Share (the "**B Share Offer Price**") representing a premium of approximately:

- (i) 21 per cent. to the Closing Price of US\$0.248 per B Ordinary Share on 23 September 2019, being the last Business Day prior to the day Flotonic has approached the board of AFI Development Plc;
- (ii) 53 per cent. to the twelve-month average price of US\$ 0.195 per B Ordinary Share on 24 October 2019, being the last Business Day prior to this Announcement;
- (iii) 42 per cent. to the six-month average price of US\$ 0.211 per B Ordinary Share on 24 October 2019, being the last Business Day prior to this Announcement; and
- (iv) 6 per cent. to the Closing Price of US\$ 0.284 per B Ordinary Share on 24 October 2019, being the last Business Day prior to this Announcement.

The Securities will be acquired by the Offeror pursuant to the Offers fully paid with full title guarantee and free from all liens, charges, encumbrances, equitable interests, pre-emption rights and other interests and rights of whatsoever nature and together with all rights now or hereafter attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made after the date of this Announcement.

If a dividend, distribution or other return of value is authorised, declared, proposed, made, paid or becomes payable by the Company in respect of the Securities on or after the date of the Announcement, the Offeror reserves the right to reduce the relevant Offer Price by the amount of any such dividend, distribution or other return of value. In such circumstances, the Security Holders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

3. Existing holdings

Flotonic is a private company incorporated in the Republic of Cyprus whose shares have never been admitted to trading on a regulated market or multilateral trading facility in the UK or elsewhere. Flotonic's principal asset is its holding of securities in the Company. Flotonic is ultimately beneficially owned by Mr. Levieu.

As at the date of this Announcement, Flotonic owns or controls:

- 336,948,796 GDRs in the Company, representing 64.32 per cent. of the issued A Ordinary Shares, with each GDR representing one A Ordinary Share; and
- 342,799,658 B Ordinary Shares, representing 65.44 per cent. of the issued B Ordinary Shares.

As a result, in aggregate, Flotonic is interested in 679,748,454 Securities representing 64.88 per cent. of the issued share capital of the Company.

4. Regulation of the Offers

As Flotonic already has "control" of the Company, the Offers do not have "*as its objective, the acquisition of control of the offeree company in accordance with national law*". In addition, the Company is registered in the Republic of Cyprus, accordingly, the Offers are not subject to the Code. Accordingly, any offer by the Offeror will not be subject to the jurisdiction of, and is not being regulated or reviewed by, the Panel and the Panel does not have any responsibility, in relation to the Company, for ensuring compliance with the Code and is not able to answer any Security Holder's queries.

Further, since the Offeror has its registered office in the Republic of Cyprus and the B Ordinary Shares and the GDRs are listed on a regulated market in the UK, CySec has confirmed that it will take jurisdiction only in respect of the key issues of the Offers relating to employee information and Cypriot company law matters.

5. Background to, and reasons for, the Offers

Flotonic believes that the Offers provide the following key benefits.

Attractive value

Flotonic is offering a premium of approximately 46 per cent. and 53 per cent. respectively to twelve-month average process of the GDRs and the B Ordinary Shares respectively prior to the date of this Announcement. The Offeror considers that the A Share Offer Price and the B Share Offer Price both represent an attractive premium when considered on a relative basis compared to the recent market price of the GDRs and the B Ordinary Shares and in the context of relevant precedent real estate transactions and minority buy-out transactions.

Certainty for investors

The Offeror considers that the Offers provide Security Holders with an immediate and certain exit opportunity to crystallize the value of their holdings, for cash at an attractive premium. In particular against a backdrop of:

- *Market volatility* - the Offeror believes that the current complex geopolitical environment and the prevailing market volatility in Russia (including in the real estate and retail sectors) raises and heightens certain risks facing the Company's business. These risks, if they materialise, could adversely impact the Company's core operations as well as its investments and affect its growth strategy in the medium term;
- *Russian residential real estate market associated risks* - adverse consequences of the recently introduced escrow scheme in Russian residential real estate for the mid-sized developers (whereby developers are no longer able to use monies paid by their customers to finance construction and development), additional taxation and the launch of the state-funded housing renovation programme in Moscow are expected to continue to place downward pressure on residential real estate sector revenues and drive up investment costs for all development projects;
- *Local Real estate sector* - changes in residential market conditions may result in limited opportunities for the Company to acquire and develop new land plots and projects, and realise lower than expected sale prices. The Offeror considers that, given the prevailing market conditions, the Company may face more uncertainty in the securing of financing on favorable terms for any such development;
- *Russian commercial real estate and retail market* - global retail e-commerce development has, and will continue to have, an increasing impact in Russia resulting in discounted pricing in the Russian retail real estate sector. Recent history also demonstrates that foreign investors in Russia have exited the real estate sector by disposing of their commercial portfolios at prices that were significantly below their initial investment values;
- *Macroeconomic conditions* - additional uncertainties around further deterioration of macroeconomic conditions, such as sanctions, trade wars and volatility in oil prices, may have an adverse impact on tenants' performance and on the retail market in Russia, which in turn could adversely affect the Company's investments, net asset value (NAV) and ultimately the value of the Company's Securities; and
- *Limited trading volumes* - the Company's Securities continue to experience very limited trading volumes (only 6% of GDRs and 10% of B Ordinary Shares have been traded from January 2017 to September 2019). These low trading volumes may result in limited appetite by new investors to acquire the Company's Securities.

Simplification of the AFI Development Plc Group structure

In addition, the Offeror believes that the above factors also underpin the rationale that the Company's portfolio of assets would best be undertaken by a private company having the strategic flexibility to manage the more entrepreneurial development risks and capital expenditure of the business and to react to potential operational opportunities under the decision making of a single shareholder, rather than in a highly regulated listed environment with limited institutional interest and as a result low liquidity, which hinders investors' ability to monetise their shareholdings.

6. Recommendation

The AFI Development Plc Directors recommend that the Security Holders seriously consider the Offers for the reasons outlined below. The AFI Development Plc Directors consider that the Offers represent a material premium to 23 September 2019, being the last Business Day prior to the day Flotonic approached the board of AFI Development Plc and six months and twelve months average prices of the Company's shares and the GDRs respectively. The AFI Development Plc Directors, who have been advised by BDO as to the financial terms of the Offers, recognise that whilst the Offers represent a discount to the net asset value of the Company there is no likelihood of realising such value in the near or medium term future. In addition, there are a number of other reasons to accept the Offers that Security Holders should seriously consider:

- The Offers represent an opportunity for Security Holders to realise their investment for cash at a premium to the recent share price and without dealing costs;
- There is limited liquidity in both the A Securities and the B Ordinary Shares and no dividend income for Security Holders;
- AFI Development Plc is already under the control of Flotonic and Flotonic can already effectively determine the choice of strategic options for AFI Development Plc, including whether to dispose of any of AFI Development Plc' material assets; and
- AFI Development Plc is exposed to volatile market conditions, especially in respect of residential property in Moscow, and the general vulnerability of the Russian economy to external and internal challenges.

In providing advice to the AFI Development Plc Directors, BDO has taken into account the commercial assessments of the AFI Development Plc Directors.

Accordingly, the AFI Development Plc Directors unanimously recommend the holders of the A Securities to seriously consider the A Share Offer and the holders of the B Ordinary Shares to seriously consider the B Share Offer.

Holders of the A Securities and the B Ordinary Shares should consider carefully the information set out above in making a decision as to whether to accept the Offers having regard to their own personal circumstances.

7. The A Share Offer

Participation in the A Share Offer

The A Share Offer is being made subject to the Conditions in section 2 of Appendix 1, certain further terms set out in Appendix 1 and the full terms and conditions to be set out in the Offer Document. The Offer Document containing full information relating to the Offers, including their terms and conditions, will be published in due course.

Conditions

The A Share Offer will be conditional upon, amongst other things, acceptances being received (and not, where permitted, withdrawn) such that the Offeror shall hold or have acquired or agreed to acquire (pursuant to the A Share Offer or otherwise) directly or indirectly A Ordinary Shares which carry in aggregate not less than 90 per cent of the voting rights then normally exercisable in respect of the A Ordinary Shares at a general meeting of the Company (or such lower percentage as the Offeror may decide).

A further Condition to the A Share Offer is the B Share Offer becoming or being declared unconditional in all respects (the "**Joint Offer Condition**"). However, the Joint Offer Condition, like the other Conditions, can be waived by the Offeror in its sole discretion so that it is possible for:

- the A Share Offer to proceed, but the B Share Offer not proceed, if the Conditions to the B Share Offer are not satisfied or waived; or
- the B Share Offer to proceed, but the A Share Offer not proceed, if the Conditions to the A Share Offer are not satisfied or waived.

Cancellation of listing and trading

If the A Share Offer becomes, or is declared, unconditional in all respects and subject to satisfying any applicable requirements of the FCA, the terms of the GDR deposit agreement and any requirements under Listing Rule 5.2.4, the Offeror intends to procure that the Company will make an application for the cancellation of the listing of the GDRs on the Official List and cancellation of trading of the GDRs on the Main Market of the London Stock Exchange. It is anticipated that such cancellation will take effect no earlier than 20 business days after the A Share Offer becomes or is declared unconditional in all respects, subject to compliance with applicable requirements of the Listing Rules and GDR deposit agreement.

Cancellation of the listing of the GDRs on the Official List and the cancellation of trading of the GDRs on the Main Market of the London Stock Exchange is likely to reduce significantly the liquidity and marketability of any A Securities in respect of which the A Share Offer has not been accepted at such time. It is also intended that, following implementation of the A Share Offer, the Offeror will seek to unwind the GDR programme.

GDR Holders will be able to participate in the A Share Offer with respect to the A Ordinary Shares underlying their GDRs, as more particularly described in the Offer Document. An Offer in respect of the A Ordinary Shares, to which the GDRs relate, shall only constitute one offer for the relevant A Securities and may only be accepted once by either the holder of the relevant A Ordinary Share or the relevant GDR Holder giving an instruction to accept the Offer. Any such acceptance shall be deemed to have been made on behalf of the holder of the relevant A Ordinary Share and the relevant GDR Holder.

8. The B Share Offer

Participation in the B Share Offer

The B Share Offer is being made subject to the Conditions in Section 1 of Appendix 1, certain further terms set out in Appendix 1 and the full terms and conditions to be set out in the Offer Document.

Conditions

The B Share Offer will be conditional upon, amongst other things, acceptances being received (and not, where permitted, withdrawn) such that the Offeror shall hold or have acquired or agreed to acquire B Ordinary Shares (pursuant to the B Share Offer or otherwise) directly or indirectly B Ordinary Shares which carry in aggregate not less than 90 per cent of the voting rights then normally exercisable in respect of the B Ordinary Shares at a general meeting of the Company (or such lower percentage as the Offeror may decide).

The B Share Offer is not conditional upon the A Share Offer becoming or being declared unconditional in all respects.

Cancellation of listing and trading

If the B Share Offer becomes or is declared unconditional in all respects, and if the Offeror:

- by virtue of its existing holdings of B Ordinary Shares, acceptances of the B Share Offer or otherwise, owns or controls or has acquired or agreed to acquire Securities in aggregate carrying at least 75 per cent of the voting rights attaching to the B Ordinary Shares; and
- has obtained valid acceptances from, or acquired or agreed to acquire B Ordinary Shares from, Independent B Shareholders of the Company representing a majority of the voting rights attached to B Ordinary Shares held by Independent B Shareholders of the Company on 25 October 2019, being the date on which the Offeror's firm intention to make the B Share Offer was announced (the "**Delisting Threshold**"),

the Offeror intends to procure that, subject to satisfying any applicable requirements of the FCA and any requirements under Listing Rule 5.2.11A, the Company will make an application for the cancellation of the listing of the B Ordinary Shares on the Official List and for the cancellation of trading of the B Ordinary Shares on the London Stock Exchange's main market for listed securities. It is anticipated that the cancellation of listing on the Official List and cancellation of trading on the London Stock Exchange will take effect no earlier than 20 Business Days after the date on which the B Share Offer becomes, or is declared unconditional in all respects provided that the Offeror has attained the Delisting Threshold.

It is anticipated that such cancellation will take effect no earlier than 20 business days after the B Share Offer becomes or is declared unconditional in all respects, subject to compliance with applicable requirements of the Listing Rules.

Cancellation of admission to trading is likely to reduce significantly the liquidity and marketability of any B Ordinary Shares in respect of which the B Share Offer has not been accepted at such time.

As at the date of this Announcement, the Offeror owns or controls 342,799,658 B Ordinary Shares, representing approximately 65.44 per cent. of the issued B Ordinary Shares. Based on the current interests of the Offeror, it is expected that the Delisting Threshold will be met if and when the Offeror is interested in or has received valid acceptances in respect of the B Share Offer relating to, in aggregate, approximately 82.72 per cent. of the issued B Ordinary Shares.

9. Information on the Company

The Company is incorporated in the Republic of Cyprus with its registered office at 165 Spyrou Araouzou Street, Lordos Waterfront Building, 5th floor, Flat/office 505, 3035 Limassol, Cyprus and has two classes of shares: A Ordinary Shares and B Ordinary Shares both created under Cypriot Law. As at the date of this Announcement, the Company has:

- 523,847,027 A Ordinary Shares (whether held directly or indirectly through a GDR); and
- 523,847,027 B Ordinary Shares.

The A Ordinary Shares are in registered form and are not themselves admitted to trading on a regulated market or MTF in the UK. However, the Company has issued GDRs (representing the A Ordinary Shares) which are traded on the Main Market of the London Stock Exchange (ticker: AFID). The Bank of New York Mellon acts as the Depository of the GDRs (ticker: AFRB).

The B Ordinary Shares are in registered form and are traded on the Main Market of the LSE.

Established in 2001 in the Republic of Cyprus, the Company is one of the leading real estate development and investment groups, focused principally on the Russian market.

The Company focuses on developing and redeveloping large scale, integrated, high profile, high quality commercial and residential real estate assets to an international standard 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. The Company's strategy is to sell the residential properties it develops and to either lease the commercial properties or sell them for a favourable return.

For the six months ended 30 June 2019, the Company reported revenue and net profit of US\$182.0 million and US\$37.6 million, respectively. The total value of the Company's assets based on independent valuation as of 30 June 2019 and book values of residential development projects was US\$1.24 billion. Net asset value of the Company at 30 June 2019 was US\$0.84 billion.

10. Financing of the Offer

The consideration payable under the Offers is being financed in full under a term facility entered into between VTB Bank and the Offeror (the "Facility"). The Facility may be drawn in EUR or US\$ for the purpose of financing the Offers and for funding any payments to be made in respect of a compulsory acquisition of Securities. The Facility has a term of 24 months.

Conditions to utilisation of the Facility include that the Offers must have been declared unconditional, all necessary regulatory approvals have been obtained, there is no continuing default, all material representations are correct in all material respects and relevant security documentation, including certain pledges, required by VTB Bank are in place. The Offeror reasonably believes that these security documents and pledges will be in place prior to the Offer Document being issued. The Facility permits, in certain circumstances, utilisations to be made for the payment of ancillary services provided in connection with the Offers and any payments to be made in respect of a compulsory acquisition.

The Offeror confirms that there are sufficient cash resources available to the Offeror to enable it to satisfy, in full, the cash consideration payable to the Independent A Security Holders and the Independent B Shareholders under the terms of the Offers.

11. Management, employees and locations

The Offeror recognises the skills and experience of the existing management and employees of the AFI Development Plc Group. The Offeror intends to work closely with them to build on the strengths of the business and expects them to play an important role in the ongoing development of the business. The Offeror does not currently seek to change the business of the AFI Development Plc Group and to the extent feasible in the current economic environment intends to grow the business using the existing experience and industry knowledge of the employees of the Company.

The Company does not have a specific research and development function and the Offeror has confirmed that it does not intend to establish one.

The Offeror has confirmed to the Board of AFI Development Plc that its current plans do not include any material changes to the AFI Development Plc Group's management or workforce, that all employment rights will be safeguarded in accordance with applicable law and that there are currently no planned changes to the conditions of employment of the management or employees of AFI Development Plc.

The Offeror confirms that it has no current plans to change the Company's current strategic direction and consequently there is no intention to make an impact on either employment or on the locations of the Company's places of businesses.

The Offeror confirms that it currently has no intention to repurpose any of the fixed assets of the Company.

It is intended that, should the Offers become or be declared unconditional in all respects, as set out in paragraphs 7 and 8 above, the listings of the B Ordinary Shares and the GDRs on the Official List will be cancelled and the B Ordinary Shares and the GDRs will cease to be admitted to trading on the London Stock Exchange's main market for listed securities.

12. Structure of the Offers and Offer Document

The Offeror intends to affect the Offers by way of a takeover offer under Cyprus law. An indicative timetable setting out the expected dates for implementation of the Offers will be included in the Offer Document. It is expected that the Offer Document containing the full information relating to the Offers, including its terms and conditions, will be published in due course.

13. Posting of the Offer Document

The formal Offer Document, and in the case of Certificated Shares, the Form(s) of Acceptance will be posted to the Security Holders as soon as practicable and in any event within 28 days of the date of this Announcement save as may otherwise be agreed by the Offeror and the Company.

14. GDRs

It is intended that eligible GDR Holders will be able to participate in the A Share Offer with respect of the A Ordinary Shares underlying their GDRs. Further details in relation as to how eligible GDR Holders can participate in the A Share Offer will be set out in the Offer Document. It is currently intended that the GDR programme will be terminated following the cancellation of the Company's admission to listing on the Official List and admission to trading on the London Stock Exchange.

Following the A Share Offer becoming or being declared unconditional in all respects, the tender agent will arrange for each A Ordinary Share in respect of which it has been instructed to accept the A Share Offer to be withdrawn from the GDR programme. A cancellation fee per GDR will be payable to the GDR Depositary in respect of the GDRs representing the A Ordinary Shares for which valid acceptances to the A Share Offer are received and will be deducted from the consideration paid pursuant to the A Share Offer to the GDR Holders or of beneficial interests in such GDRs.

15. Compulsory acquisition and re-registration

If the A Share Offer becomes, or is declared, unconditional in all respects and the B Share Offer becomes, or is declared, unconditional in all respects and the Offeror holds or has, by way of acceptances of the A Share Offer and/or the B Share Offer, acquired (or contracted to acquire), directly or indirectly, Securities carrying in aggregate, together with any Securities that the Offeror is interested in, not less than 90 per cent of the voting rights then normally exercisable at a general meeting of the Company, the Offeror intends to exercise its rights pursuant to the provisions of Cyprus law to acquire compulsorily the remaining Securities in respect of which the A Share Offer or the B Share Offer has not been accepted, on the same terms as the A Share Offer or the B Share Offer respectively.

It is also intended that, following the implementation of the A Share Offer and the B Share Offer (and assuming the cancellation of trading of GDRs on the London Stock Exchange's main market and/or the listing of the B Ordinary Shares on the Official List), the Offeror will seek to cancel the GDR programme and amend the Company's articles of association to, among other things, replace the existing two classes of shares into a single class of ordinary shares and convert the Company to a private limited company.

Delisting and re-registering would significantly reduce the liquidity and marketability of any shares in respect of which the Offers have not been accepted at that time.

It is also the Offeror's intention to terminate the GDR programme if the A Share Offer becomes or is declared unconditioned in all respects.

16. Enquiries

Flotonic Limited		Natalia Pirogova	+7 965 3920595
VTB Capital plc	Offeror Group financial adviser	Alexander Metherell Elena Loseva	+44 (0) 203 3348708
BDO LLP	Company's financial advisers	John Stephan Susan Jarram	+44 (0) 207 486 5888

17. Further information

This Announcement, which does not constitute a prospectus or prospectus equivalent (or document containing information on the transaction and its impact on the issuer for the purposes of the Prospectus Regulation Rules), is for information purposes only and is not intended to, and does not constitute, or form part of an invitation or offer to sell or to purchase, or otherwise subscribe for or acquire, or to sell or otherwise dispose of any securities, or the solicitation of an offer to purchase or subscribe for any securities, or any solicitation of any vote of approval in any jurisdiction pursuant to the Offers or otherwise.

The full terms and conditions of the Offers (including details of how the Offers may be accepted, or in the case of eligible GDR Holders (where relevant), to instruct the GDR Depositary to accept the A Share Offer on their behalf) will be set out in the Offer Document and the documentation accompanying the Offer Document, which in the case of Certificated Shares, includes the related Form(s) of Acceptance. The Offers shall be made solely through the Offer Document and the documentation accompanying the Offer Document, which in the case of Certificated Shares, includes the relevant Form(s) of Acceptance, and any acceptance of the Offers should be made only on the basis of the information contained in the Offer Document and, in the case of Certificated Shares, the relevant Form(s) of Acceptance. Further details of how eligible holders of GDRs can accept the A Share Offer will be set out in the Offer Document.

The Offer Document and, in the case of Certificated Shares, the Form(s) of Acceptance will be posted to the Security Holders as soon as practicable and in any event within 28 days of the date of this Announcement save as may otherwise be agreed by the Offeror and the Company.

VTB Capital plc ("**VTBC**"), which is authorised and regulated by the FCA and the Prudential Regulation Authority in the UK, is acting exclusively for the Offeror Group and no-one else in connection with the Offers and this Announcement, and will not be responsible to anyone other than the Offeror Group for providing the protections afforded to clients of VTBC nor for providing advice in connection with the Offers or this Announcement or any matter referred to herein.

BDO LLP ("**BDO**") which is authorised and regulated in the UK by the FCA, is acting exclusively for the Company and no-one else in connection with the Offers and this Announcement, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of BDO nor for providing advice in connection with the Offers or this Announcement or any matter referred to herein.

The Offers shall be made solely by the Offeror and neither VTBC nor any of its affiliates are making the Offers.

In accordance with, and to the extent permitted by Cypriot Takeover Law and normal UK market practice and pursuant to Rule 14e-5(b)(12) under the U.S. Securities Exchange Act of 1934, the Offeror or its nominees or brokers (acting as agents) or their respective affiliates may from time to time make certain purchases of, or arrangements to purchase, Securities, outside the United States, otherwise than pursuant to the Offers, before or during the period in which the Offers remain open for acceptance, such as in open market at prevailing prices or privately negotiated purchases at negotiated prices. Such purchases, or arrangements to purchase, will comply with all applicable UK and Cypriot rules, including the rules of the London Stock Exchange and the Financial Conduct Authority, to the extent applicable.

The availability of the Offers and the release and/or distribution of this Announcement in or into jurisdictions other than the UK or the Republic of Cyprus may be restricted by the laws and regulations of those jurisdictions and therefore persons who are not resident in the UK or the Republic of Cyprus into whose possession this Announcement comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Offers are not intended to be made, directly or indirectly, in, into or from any Restricted Jurisdiction and the Offers will not be capable of acceptance from or within any Restricted Jurisdiction. Accordingly, copies of this Announcement are not being and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction, and persons receiving this Announcement (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such Restricted Jurisdictions as doing so may invalidate any purported acceptance of the Offers.

This Announcement has been prepared in compliance with Cypriot law and regulation and Cypriot Takeover Law and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of jurisdictions outside the Republic of Cyprus.

This Announcement is not an offer of securities for sale in the United States, Canada, Australia or Japan or in any other jurisdiction in which such an offer is unlawful.

Neither the Securities and Exchange Commission in the United States nor any state securities commission in the United States has reviewed, approved or disapproved this Announcement or any of the proposals contained in this Announcement.

18. Overseas Security Holders

Unless otherwise determined by the Offeror, the Offers will not be made, directly or indirectly, in or into, or by the use of mail or by any other means or instrumentally (including, without limitation, by any means of telephone, facsimile, telex, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction. Accordingly, unless otherwise determined by the Offeror, the Offers (and any documentation relating thereto) will not be, and must not be, directly or indirectly, mailed or otherwise forwarded, transmitted, distributed, sent or accessed in or into or from (whether by issue of the mail or by any other means or instrumentally (including, without limitation, by any means of telephone, facsimile, telex, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and persons receiving this Announcement (including without limitation custodians, nominees and trustees) should observe these restrictions and must not mail or otherwise forward, transmit, distribute or send it in or into or from Canada, Australia or Japan or any other Restricted Jurisdiction as doing so may render invalid any purported acceptance of the Offers.

The availability of the Offers or the distribution of this Announcement to Security Holders who are not resident in the Republic of Cyprus or the UK may be restricted by the laws of the relevant jurisdiction in which they are located or of which they are citizens. Such persons should inform themselves of, and observe, all applicable legal and regulatory requirements of their jurisdictions. Any failure to comply with the requirements of such jurisdictions may constitute a violation of the securities laws of such jurisdictions. Further details in relation to Overseas Security Holders will be contained in the Offer Document.

19. Notices to US Investors

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY U.S. STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THESE OFFERS, PASSED UPON THE FAIRNESS OR MERITS OF THIS ANNOUNCEMENT OR DETERMINED WHETHER THIS ANNOUNCEMENT IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The Offers, which are open to Security Holders in the United States, will be subject to the laws of England and the Republic of Cyprus. It is important for Security Holders in the United States to be aware that this document is subject to disclosure regulations in the UK and disclosure and takeover law and regulations in the Republic of Cyprus that are different from those in the United States. In addition, U.S. Securities Holders should be aware that this document has been prepared in accordance with English and Cypriot format and style, which differs from the U.S. format and style. In particular the financial information prepared by the Company has been prepared in accordance with international financial reporting standards, and this may not be comparable to financial information of U.S. companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

As applicable, the Offeror will comply with regulation 14e under the U.S. Securities Exchange Act of 1934, as amended, subject to any exemption of partial exemption which it may determine is applicable prior to commencing the offer. The Offers have not yet commenced. It may be difficult to enforce any rights and any claim arising under the U.S. federal securities laws since the Offeror and the Company are located in non-U.S. jurisdictions and some or all of their officers or directors may be residents of non-U.S. jurisdictions. Therefore, it may not be possible to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

20. Notices to persons resident or located in Russia

THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT IS ADDRESSED EXCLUSIVELY TO THE HOLDERS OF B ORDINARY SHARES OR THE A SECURITIES OF THE COMPANY. NEITHER THIS ANNOUNCEMENT NOR THE OFFERS DESCRIBED HEREIN NOR ANY INFORMATION CONTAINED HEREIN CONSTITUTE AN OFFER PURSUANT TO RUSSIAN LAW, OR AN ADVERTISEMENT, OR AN OFFER OF SECURITIES TO AN UNLIMITED NUMBER OF PERSONS WITHIN OR OUTSIDE THE TERRITORY OF THE RUSSIAN FEDERATION. NEITHER THIS ANNOUNCEMENT NOR THE OFFERS DESCRIBED HEREIN CONSTITUTE OR ARE INTENDED FOR PLACEMENT OR CIRCULATION OF SECURITIES OF FOREIGN ISSUERS IN THE RUSSIAN FEDERATION. NEITHER THE B ORDINARY SHARES OR THE A SECURITIES OF THE COMPANY, TO WHICH THE OFFERS RELATE, ARE REGISTERED IN THE RUSSIAN FEDERATION OR ADMITTED TO PLACEMENT, PUBLIC PLACEMENT OR PUBLIC CIRCULATION IN THE RUSSIAN FEDERATION IN ACCORDANCE WITH ARTICLE 51.1 OF RUSSIAN FEDERAL LAW DATED 22 APRIL, 1996 NO. 39 FZ "ON THE SECURITIES MARKET" (AS AMENDED).

21. Notices to persons resident or located in Israel

FOR THE AVOIDANCE OF DOUBT IT IS HEREBY CLARIFIED, THAT SINCE THE SECURITIES OF THE COMPANY ARE NOT LISTED ON A STOCK EXCHANGE IN ISRAEL, THE OFFERS SHALL NOT CONSTITUTE AN OFFER PURSUANT TO THE ISRAELI SECURITIES LAW AND CONSEQUENTLY THE PROVISIONS OF THE ISRAELI SECURITIES REGULATIONS (TENDER OFFER) 2000 OR OTHER PROVISIONS OF ISRAELI SECURITIES LAW, WILL NOT APPLY TO THE OFFERS.

22. No Profit Forecast or Estimates

Nothing in this Announcement is intended to be, or is to be construed as, a profit forecast or to be interpreted to mean that earnings per B Ordinary Share or per GDR for the current or future financial years, will necessarily match or exceed the historical published earnings per B Ordinary Share or GDR.

23. Cautionary note regarding forward-looking statements

This Announcement may contain 'forward-looking statements' concerning the Offeror and the Company. Generally, use of words such as 'anticipate', 'believe', 'assume', 'predict', 'shall', 'risk', 'positioned', 'continue', 'estimate', 'expect', 'forecast', 'intend', 'may', 'plan', 'project', 'should', 'will' or similar expressions is likely to identify forward-looking statements, which reflect current views about future events but are subject to risks, assumptions and uncertainties that could cause actual outcomes to differ materially from those expressed or implied in a forward-looking statement. Many such risks, assumptions and uncertainties relate to factors which those making the forward-looking statement are unable to control or estimate precisely: for example, future market conditions, changes in general economic and business conditions, changes in currency exchange and interest rates, introduction of new or competing products or services, lack of acceptance of new products or services and the behaviour of other market participants. The Offeror cannot give assurances that the forward-looking statements will prove to have been correct. Accordingly, forward-looking statements should be regarded with caution, and undue reliance should not be placed upon them, as such statements speak only as at the date of this Announcement. The directors of the Offeror do not intend and accept no obligation to update forward-looking statements except as may be required by specific applicable legal requirement.

24. Information relating to Security Holders

Please be aware that addresses, electronic addresses and certain other information provided by the Security Holders, persons with information rights and other relevant persons for the receipt of communications from the Company may be provided to the Offeror during the offer period, commencing on the date of this Announcement.

25. Website publication

This Announcement will be made available for inspection, subject to certain restrictions relating to persons resident in any Restricted Jurisdiction, on the Company's website at <https://www.afi-development.com/en/> by no later than 12 noon on the business day immediately following the date of this Announcement. No other information contained in the Company's website is incorporated by reference into this Announcement.

26. Company and Offeror shares in issue

The Company confirms that, as of today's date, the Company has in issue 523,847,027 A Ordinary Shares (whether held directly or indirectly through a GDR) and 523,847,027 B Ordinary Shares (ISIN:CY0101380612). The GDRs are issued in the form of Regulation S GDRs (ISIN: US00106J2006) and Rule 144A GDRs (ISIN: US00106J1016).

27. Separate Advice

If you are in any doubt about the Offers and/or the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

CONDITIONS AND CERTAIN FURTHER TERMS OF THE OFFERS

1 Conditions of the B Share Offer

The B Share Offer is subject to the following Conditions:

Acceptance Condition

- (a) valid acceptances of the B Share Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the First Closing Date of the B Share Offer (or such later time(s) and/or date(s) as the Offeror may decide) such that the Offeror shall hold or have acquired or agreed to acquire (whether pursuant to the B Share Offer or otherwise), directly or indirectly, B Ordinary Shares carrying in aggregate more than 90 per cent. (or such lesser percentage as the Offeror may decide) of the voting rights then normally exercisable in respect of B Ordinary Shares at the general meeting of the Company, including for this purpose any such voting rights attaching to B Ordinary Shares that are unconditionally allotted or issued before the B Share Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise;

Other Third Party clearances

- (b) no Third Party having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken or otherwise having done anything or having enacted, made or proposed any statute, regulation, decision, order or change to published practice and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
- (i) make the Offers, their implementation or the acquisition or proposed acquisition of any shares or other securities in any member of the Wider AFI Development Plc Group by any member of the Wider Flotonic Group void, illegal and/or unenforceable under the laws of any relevant jurisdiction, or otherwise directly or indirectly prevent, prohibit, or restrain, restrict, impede, challenge, delay or otherwise interfere with the implementation of, or impose additional conditions or obligations with respect to, the A Share Offer or the B Share Offer or the acquisition of any shares or other securities in any member of the Wider AFI Development Plc Group by any member of the Wider Flotonic Group or require amendment of the A Share Offer or the B Share Offer;
- (ii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Flotonic Group or by any member of the Wider AFI Development Plc Group of all or any material part of their businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their businesses (or any part thereof) or to own, control or manage any of their material assets or properties (or any part thereof);
- (iii) impose any limitation on, or result in a delay in, the ability of any member of the Wider Flotonic Group directly or indirectly to acquire or hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in the Company (or any member of the Wider AFI Development Plc Group) or on the ability of any member of the Wider AFI Development Plc Group or any member of the Wider Flotonic Group directly or indirectly to hold or exercise effectively any rights of ownership in respect of shares or other securities (or the equivalent) in any member of the Wider AFI Development Plc Group;
- (iv) other than pursuant to the implementation of the Offers, require any member of the Wider Flotonic Group or the Wider AFI Development Plc Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider AFI Development Plc Group owned by any third party;

- (v) require, prevent or delay a divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Flotonic Group of any shares or other securities (or the equivalent) in any member of the Wider AFI Development Plc Group;
- (vi) result in any member of the Wider AFI Development Plc Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (vii) impose any material limitation on the ability of any member of the Wider Flotonic Group or any member of the Wider AFI Development Plc Group to conduct, integrate or co-ordinate all or any part of their respective businesses with all or any part of the business of any other member of the Wider Flotonic Group and/or the Wider AFI Development Plc Group *in a manner which is materially adverse to the Wider Flotonic Group and/or the Wider AFI Development Plc Group, in either case, taken as a whole or in the context of the Offers*; or
- (viii) otherwise materially adversely affect any or all of the business, assets, value profits, prospects, operational performance, financial or trading position of any member of the Wider AFI Development Plc Group or any member of the Wider Flotonic Group,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the A Share Offer or the B Share Offer or the proposed acquisition of any A Ordinary Shares or B Ordinary Shares or otherwise intervene having expired, lapsed, or been terminated;

- (c) no undertakings or assurances being sought from the Offeror, any member of the Wider Flotonic Group or any member of the Wider AFI Development Plc Group by any applicable governmental body or authority or any other third party, except on terms satisfactory to the Offeror;
- (d) all notifications, filings or applications which are deemed by the Offeror (acting reasonably) to be necessary or appropriate having been made in connection with the Offers and all necessary waiting and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with and all Authorisations which are deemed by the Offeror to be necessary or appropriate in any jurisdiction for or in respect of the Offers or the proposed acquisition of any shares or other securities in, the Company by any member of the Wider Flotonic Group having been obtained in terms and in a form satisfactory to the Offeror from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider AFI Development Plc Group or the Wider Flotonic Group has entered into contractual arrangements and all such Authorisations which are deemed by the Offeror to be necessary or appropriate to carry on the business of any member of the Wider AFI Development Plc Group in any jurisdiction having been obtained in each case where the direct consequence of a failure to make such notification or filing or to wait for the expiry, lapse or termination of any such waiting or other time period or to comply with such obligation would be unlawful in any relevant jurisdiction or have a materially adverse effect on the Wider AFI Development Plc Group, any member of the Flotonic Group or the ability of the Offeror to implement the Offers and all such Authorisations remaining in full force and effect at the time at which the A Share Offer and the B Share Offer becomes otherwise unconditional in all respects and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations;
- (e) no temporary restraining order, preliminary or permanent injunction, preliminary or permanent enjoinder, or other order threatened or issued and being in effect by a court or other Third Party which has the effect of making the A Share Offer or the B Share Offer or any acquisition or proposed acquisition of any shares or other securities in, any member of the Wider AFI Development Plc Group by any member of the Wider Flotonic Group, or the implementation of either of them, void, voidable, illegal and/or enforceable under the laws of any relevant jurisdiction, or otherwise directly or indirectly prohibiting, preventing, restraining, restricting, delaying or otherwise interfering with the consummation or the approval of the A Share Offer or the B Share Offer or any matter arising from the proposed acquisition of any shares or other securities in, any member of the Wider AFI Development Plc Group by any member of the Wider Flotonic Group;

Confirmation of absence of adverse circumstances

- (f) except as Disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider AFI Development Plc Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, as a consequence of the A Share Offer or the B Share Offer or the proposed acquisition by any member of the Wider Flotonic Group of any shares or other securities in the Company or because of a change in the management of any member of the Wider AFI Development Plc Group or otherwise, would or might reasonably be expected to result in:
 - (i) any monies borrowed by, or any other indebtedness, actual or contingent of, or any grant available to, any member of the Wider AFI Development Plc Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
 - (ii) the rights, liabilities, obligations, interests or business of any member of the Wider AFI Development Plc Group or any member of the Wider Flotonic Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider AFI Development Plc Group or any member of the Wider Flotonic Group in or with any other firm or company or body or person (or any agreement or arrangement relating to any such business or interests) being or likely to become terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken or arising thereunder;
 - (iii) any member of the Wider AFI Development Plc Group ceasing to be able to carry on business under any name under which it presently carries on business;
 - (iv) any assets or interests of, or any asset the use of which is enjoyed by, any member of the Wider AFI Development Plc Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider AFI Development Plc Group otherwise than in the ordinary course of business;
 - (v) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider AFI Development Plc Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen), becoming enforceable;
 - (vi) the business, assets, value, financial or trading position, profits, prospects or operational performance of any member of the Wider AFI Development Plc Group being prejudiced or adversely affected;

- (vii) the creation or acceleration of any liability (actual or contingent) by any member of the Wider AFI Development Plc Group other than trade creditors or other liabilities incurred in the ordinary course of business; or
- (viii) any liability of any member of the Wider AFI Development Plc Group to make any severance, termination, bonus or other payment to any of its directors or other officers;

No material transactions, claims or changes in the conduct of the business of the AFI Development Plc Group

- (g) except as Disclosed no member of the Wider AFI Development Plc Group having since 31 December 2018:
 - (i) save for the issue or transfer out of treasury of B Ordinary Shares or A Ordinary Shares on the exercise of options or vesting of awards granted before the date of the firm announcement in the ordinary course, issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of B Ordinary Shares or A Ordinary Shares out of treasury;
 - (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (whether payable in cash or otherwise) other than to the Company or one of its wholly owned subsidiaries;
 - (iii) save as between the Company and its wholly owned subsidiaries or between such wholly owned subsidiaries, merged with (by statutory merger or otherwise) or demerged from or acquired anybody corporate, partnership or business or acquired or disposed of, or, other than in the ordinary course of business, transferred, mortgaged or charged or created any security interest over, any material assets or any right, title or interest in any material asset (including shares and trade investments) or authorised, proposed or announced any intention to do so;
 - (iv) made, authorised, proposed or announced an intention to propose any change in its loan capital;
 - (v) issued, authorised or proposed or announced an intention to authorise or propose the issue of, or made any change in or to the terms of, any debentures or (save as between the Company and its wholly owned subsidiaries or between such wholly owned subsidiaries) incurred or increased any indebtedness or become subject to any contingent liability;
 - (vi) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary, any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) (otherwise than in the ordinary course of business) which is of a long term, unusual or onerous nature, or which involves or could reasonably be expected to involve an obligation of a nature which is, in any such case, material in the context of the AFI Development Plc Group or in the context of the Offers, or which is or is likely to be materially restrictive on the business of any member of the Wider AFI Development Plc Group or which is or is likely to be materially restrictive on the business of any member of the Wider Flotonic Group;
 - (vii) entered into any licence or other disposal of intellectual property rights of any member of the Wider AFI Development Plc Group which are material in the context of the Wider AFI Development Plc Group and outside the normal course of business;
 - (viii) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary the terms of or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, commitment, arrangement or any service agreement with any director or, except for salary increases, bonuses or variations of terms in the ordinary course, senior executive of the Wider AFI Development Plc Group;
 - (ix) proposed, agreed to provide or modified the terms of any share plan, incentive scheme, or other benefit relating to the employment or termination of employment of any employee of the Wider AFI Development Plc Group which is material in the context of the Wider AFI Development Plc Group taken as a whole;
 - (x) procured the trustees of the relevant pension scheme, or any such trustees having taken any action since 31 December 2018, to (I) propose, make or agree to any significant change to: (a) the terms of the trust deeds, rules, policy or other governing documents constituting any pension scheme or other retirement or death benefit arrangement established for the directors, former directors, employees or former employees of any entity in the Wider AFI Development Plc Group or their dependants (a "**Relevant Pension Plan**"); (b) the basis on which benefits accrue, pensions which are payable or the persons entitled to accrue or be paid benefits, under any Relevant Pension Plan; (c) the basis on which the liabilities of any Relevant Pension Plan are funded or valued; (d) the manner in which the assets of any Relevant Pension Plan are invested; (e) the basis or rate of employer contribution to a Relevant Pension Plan; or (II) enter into or propose to enter into one or more bulk annuity contracts in relation to any Relevant Pension Plan; or (III) carry out any act: (a) which would or could reasonably be expected to lead to the commencement of the winding up of any Relevant Pension Plan; (b) which would or might create a material debt owed by an employer to any Relevant Pension Plan; or (c) which would or might accelerate any obligation on any employer to fund or pay additional contributions to any Relevant Pension Plan;
 - (xi) changed the trustee or trustee directors or other fiduciary of any Relevant Pension Plan;
 - (xii) entered into, implemented or effected, or authorised, proposed or announced its intention to implement or effect, any joint venture, asset or profit sharing arrangement, partnership, composition, assignment, reconstruction, amalgamation, commitment, scheme or other transaction or arrangement (other than the Offers) otherwise than in the ordinary course of business;
 - (xiii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect of the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;
 - (xiv) waived, compromised or settled any claim which is material in the context of the Wider AFI Development Plc Group taken as a whole otherwise than in the ordinary course of business;
 - (xv) made any material alteration to its articles of association or other constitutional documents;
 - (xvi) (other than in respect of a member which is dormant and was solvent at the relevant time) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, receiver, manager, administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;

- (xvii) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xviii) entered into any contract, commitment, agreement or arrangement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition;
- (xix) terminated or varied the terms of any agreement or arrangement between any member of the Wider AFI Development Plc Group and any other person in a manner which would or might be expected to have a material adverse effect on the financial position of the AFI Development Plc Group taken as a whole;
- (xx) having taken (or agreed or proposed to take) any action which may result in the A Share Offer or the B Share Offer being frustrated or in Security Holders being denied the opportunity to participate in the A Share Offer or the B Share Offer;
- (xxi) taken (or agreed or proposed to take any action to:
 - (A) issue any shares or
 - (B) transfer or sell, or agree to transfer or sell, any shares out of treasury or effect any redemption or purchase of its own shares;
 - (C) issue or grant options in respect of any unissued shares;
 - (D) create or issue, or permit the creation or issue of, any securities carrying rights of conversion into or subscription for shares;
 - (E) sell, dispose of or acquire, or agree to sell, dispose of or acquire, assets of a material amount; or
 - (F) enter into contracts otherwise than in the ordinary course of business;

No material adverse change

- (h) except as Disclosed since 31 December 2018:
 - (i) there having been no adverse change and no circumstance having arisen which would be expected to result in any adverse change or deterioration in the business, assets, value, financial or trading position, profits or operational performance of any member of the Wider AFI Development Plc Group to an extent which is material to the AFI Development Plc Group taken as a whole or in the context of the Offers or in the obligations of any member of the Flotonic Group in connection with the Offers;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced or instituted by or against or remaining outstanding against any member of the Wider AFI Development Plc Group or to which any member of the Wider AFI Development Plc Group is or may become a party (whether as claimant or defendant or otherwise) and no enquiry, review, investigation or enforcement proceedings by, or complaint or reference to, any Third Party against or in respect of any member of the Wider AFI Development Plc Group having been threatened, announced or instituted by or against, or remaining outstanding in respect of, any member of the Wider AFI Development Plc Group in each case to an extent which is material to the AFI Development Plc Group taken as a whole or in the context of the Offers;
 - (iii) no contingent or other liability having arisen, increased or become apparent which might be likely to adversely affect the business, assets, financial or trading position, profits, prospects or operational performance of any member of the Wider AFI Development Plc Group to an extent which is material to the AFI Development Plc Group taken as a whole or in the context of the Offers; and
 - (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider AFI Development Plc Group, which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and likely to have an adverse effect on the AFI Development Plc Group taken as a whole or in the context of the Offers;
- (i) except as Disclosed, since 31 December 2018 the Offeror not having discovered:
 - (i) that any financial, business or other information concerning the Wider AFI Development Plc Group publicly announced or disclosed to any member of the Wider Flotonic Group at any time by or on behalf of any member of the Wider AFI Development Plc Group or to any of their advisers is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not materially misleading;
 - (ii) that any member of the Wider AFI Development Plc Group is subject to any actual or contingent liability which is material in the context of the Wider Flotonic Group taken as a whole; or
 - (iii) any information which materially affects the import of any information disclosed to the Offeror at any time by or on behalf of any member of the Wider AFI Development Plc Group;

Environmental liabilities

- (j) in relation to any release, emission, accumulation, discharge, disposal or other fact or circumstance which has impaired or is likely to impair the environment (including property) or harmed or is likely to harm the health of humans, animals or other living organisms or eco systems, no past or present member of the Wider AFI Development Plc Group, in a manner or to an extent which is material in the context of the AFI Development Plc Group, (i) having committed any violation of any applicable laws, statutes, regulations, Authorisations, notices or other requirements of any Third Party; and/or (ii) having incurred any liability (whether actual or contingent) to any Third Party; and/or (iii) being likely to incur any liability (whether actual or contingent), or being required, to make good, remediate, repair, re-instate or clean up the environment (including any property); and

Anti-corruption, sanctions and criminal property

- (k) except as Disclosed, since 31 December 2018 the Offeror not having discovered:
 - (i) any:
 - (A) past or present member, director, officer or employee of the Wider AFI Development Plc Group; or

- (B) person that performs or has performed services on behalf of the Wider AFI Development Plc Group,
- has at any time engaged in an activity, practice or conduct which would constitute an offence under the UK Bribery Act 2010, the US Foreign Practices Act of 1977 or any other applicable anti-corruption legislation;
- (ii) any asset of any member of the Wider AFI Development Plc Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);
- (iii) any past or present member, director, officer or employee of the Wider AFI Development Plc Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, or made any payments or assets available to or received any funds or asset from:
- (A) any government, entity, or individual with which US or European Union persons (or persons operating in those territories) are prohibited from engaging in activities, doing business or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Treasury & Customs; or
- (B) any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states; or
- (iv) a member of the Wider AFI Development Plc Group has engaged in any behaviour which would cause the Flotonic Group to be in breach of any law or regulation on completion of the A Share Offer or the B Share Offer, including the economic sanctions administered by the United States Office of Foreign Assets Control, HM Treasury & Customs or any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states.
- (v) any past or present member of the Wider AFI Development Plc Group or any person that performs or has performed services for or on behalf of any such company is or has at any time engaged in any activity, practice or conduct (or omitted to take any action) in contravention of the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, or any other applicable anti-corruption legislation; or
- (vi) any past or present member of the Wider AFI Development Plc Group has engaged in any activity or business with, or made any investments in, or made any payments to any government, entity or individual covered by any of the economic sanctions administered by the United Nations or the European Union (or any of their respective member states) or the United States Office of Foreign Assets Control or any other governmental or supranational body or authority in any jurisdiction.

For the purpose of these Conditions:

- (A) **"Authorisations"** means authorisations, orders, grants, recognitions, confirmations, consents, licences, clearances, certificates, permissions or approvals;
- (B) **"Disclosed"** means the information which has been fairly disclosed:
- (I) by the Company in its published annual report and accounts for the period ended 31 December 2018;
- (II) in this document; or
- (III) in any public announcement made by, or on behalf of, the Company prior to 24 October 2019;
- (C) **"Third Party"** means any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, authority, court, trade agency, association, institution or professional or environmental body in any relevant jurisdiction, including, for the avoidance of doubt, the Panel; and
- (D) a Third Party shall be regarded as having **"intervened"** if it has given notice to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise having done anything and "intervene" shall be construed accordingly.

2 Conditions of the A Share Offer

The A Share Offer is subject to the following Conditions:

Acceptance Condition

- (a) valid acceptances of the A Share Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the First Closing Date of the A Share Offer (or such later time(s) and/or date(s) as the Offeror may decide) such that the Offeror shall hold or have acquired or agreed to acquire (whether pursuant to the A Share Offer or otherwise), directly or indirectly, A Ordinary Shares carrying in aggregate more than 90 per cent. (or such lesser percentage as the Offeror may decide) of the voting rights then normally exercisable in respect of A Ordinary Shares at the general meeting of the Company, including for this purpose any such voting rights attaching to A Ordinary Shares that are unconditionally allotted or issued before the A Share Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise; and

B Share Offer

- (b) the B Share Offer becoming or being declared unconditional in all respects.

(Paragraphs 1(a) and 2(a) being the **"Acceptance Conditions"**).

3 Certain further terms of the Offers

3.1 The Offeror reserves the right to waive all or any of Conditions in whole or in part, at its absolute discretion.

3.2 The Offeror shall be under no obligation to waive or treat as fulfilled any of the Conditions, by a date earlier than the latest date specified below for the fulfilment of them notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

- 3.3 The Offers will lapse unless all the Conditions to the Offers have been fulfilled or waived or, where appropriate, have been determined by the Offeror to be or remain satisfied, by midnight (London time) on the date which is 21 days (or such other date that may otherwise be agreed by the Offeror and the Company) after the later of the First Closing Date and the date on which the Offers become or are declared unconditional as to acceptances (or such later date (if any) as the Offeror and the Company may agree).
- 3.4 The Securities will be acquired by the Offeror fully paid and free from all liens, charges, encumbrances, equitable interests, options, rights of pre-emption and other third party rights and interests of whatsoever nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain, in full, all dividends, interest and other distributions (if any) declared, made or paid, or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the date of this Announcement. Accordingly, insofar as any dividend, distribution and/or return of capital is proposed, declared, made, paid or payable by the Company in respect of any Security on or after the date of this Announcement, the Offeror reserves the right (without prejudice to any of its other rights) to reduce the consideration payable under the Offers in respect of any Security by the amount of the dividend, distribution and/or return of capital except to the extent that such a dividend, distribution and/or return of capital has been declared, paid, made or is payable and it is: (i) transferred pursuant to the Offers on a basis which entitles the Offeror to receive the dividend, distribution and/or return of capital and to retain it; or (ii) cancelled, the consideration payable under the Offers will not be subject to change in accordance with this paragraph.
- 3.5 The Offers will be subject to any prohibition or condition imposed by law, and persons who are not resident in the UK should accordingly inform themselves about and observe any requirements applicable to them.
- 3.6 The Offers will be subject to the further terms to be set out in full in the Offer Document and, in the case of Certificated Shares, the relevant Form(s) of Acceptance.
- 3.7 Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
- 3.8 This Announcement and any rights or liabilities arising under it or under the Offers will be governed by Cypriot law and be subject to the jurisdiction of the Cypriot courts. The Offers will be proposed and implemented in accordance with and comply with the applicable rules and regulations of FCA, the London Stock Exchange and Cypriot Law.

APPENDIX 2

SOURCES OF FINANCIAL INFORMATION AND BASES OF CALCULATION USED IN THIS ANNOUNCEMENT

Unless otherwise stated in this Announcement:

- (i) Reference to the value of the fully diluted existing issued ordinary share capital of the Company of US\$314.3 has been calculated as follows:
- (a) A Share Offer Price and B Share Offer each being US\$0.300; multiplied by
 - (b) The total number of the A Ordinary Shares and the B Ordinary Shares issued being 523,847,027 and 523,847,027, respectively.
- (ii) The information on the issued share capital of the Company has been sourced from the published by the Company consolidated interim financial statements for the 6 months ended 30 June 2019. See note 19 on page 32 of the Company's 1H 2019 Financial Report.
- (iii) The Company's financials, including reported revenue and net profit, for the six months ended 30 June 2019 have been sourced from the Company's 1H 2019 Financial Report. See page 1 and page 12 of the 1H 2019 Financial Report.
- (iv) The total value of the Company's assets is based on the independent valuation as 30 June 2019 as described in the Company's 1H 2019 IR presentation. See page 20.
- (v) Unless otherwise stated, (a) closing prices, (b) average prices and (c) trading volumes for the Company's shares are sourced from Bloomberg.
- (vi) Data for Flotonic ownership of the Company's shares has been extracted from the Company's 2018 annual report. See note 12 on page 175 of the Company's 2018 annual report.
- (vii) The reference to the required acceptances to meet the Delisting Threshold for the B Ordinary Shares was calculated as follows:
- (a) Maximum of (i) majority of 75% of the total voting rights attaching to the B Ordinary Shares (523,847,027 shares multiplied by 75%) and (ii) majority of the remaining minority votes (simple majority calculated as 181,047,369 shares owned by the minority shareholders divided by 2 (two) plus 1 (one) share)
 - (b) Divided by the total number of B Ordinary Shares (523,847,027).

APPENDIX 2

DEFINITIONS

The following definitions apply throughout this Announcement unless the context requires otherwise:

Announcement	this announcement of which the Appendices form part (including, where the context so admits, the summary section at the front of this announcement)
A Ordinary Shares	the existing allotted or issued and fully paid A ordinary shares of US\$0.001 each in the capital of the Company and any such shares so allotted or issued before the date on which the A Share Offer closes
A Securities	the A Ordinary Shares and the GDRs
A Share Offer	the recommended cash offer to be made by the Offeror to acquire the A Ordinary Shares (whether held directly or indirectly through a GDR) not already owned by the Offeror, subject to the terms and conditions described in this Announcement and the further terms to be set out in the Offer Document and, in the case of Certificated A Ordinary Shares, the Form(s) of Acceptance and, where the context so requires, any revision, variation, extension or renewal of such offer
A Share Offer Price	0.300 per A Ordinary Share in cash (whether held directly or indirectly through a GDR)
BDO	BDO LLP
B Ordinary Shares	the existing allotted or issued and fully paid B ordinary shares of US\$0.001 each in the capital of the Company and any such shares so allotted or issued before the date on which the B Share Offer closes (and where the context requires, any DI's representing the B Ordinary Shares)
B Share Offer	the cash offer to be made by the Offeror to acquire the B Ordinary Shares not already owned by the Offeror, subject to the terms and conditions described in this Announcement and the further terms to be set out in the Offer Document and, in the case of Certificated B Ordinary Shares, the Form(s) of Acceptance and, where the context so requires, any revision, variation, extension or renewal of such offer
B Share Offer Price	0.300 per B Ordinary Share in cash
Business Day	any day (other than a public holiday, a Saturday or a Sunday) when banks generally are open for general banking business in London and the Republic of Cyprus
Certificated	a share or other security, title to which is recorded in the relevant register as being held in certificated form
Closing Price	the closing middle market quotation of a Share derived from Bloomberg
Code	The City Code on Takeovers and Mergers
Cypriot Takeover Law	the Cyprus Takeover Bids Law, Law No. 41(I)/2007, as amended from time to time
Company	AFI Development Plc
Conditions	the conditions to the B Share Offer as set out in paragraph 1 of Appendix 1 of this Announcement and the conditions to the A Share Offer as set out in paragraph 2 of Appendix 1 of this Announcement, in each case to be set out in the Offer Document and " Condition " means any one of them
CySec	the Cyprus Securities and Exchange Commission
Delisting Threshold	the Offeror obtaining valid acceptances from, or having acquired or agreed to acquire B Ordinary Shares from, Independent B Shareholders of the Company representing a majority of the voting rights attached to B Ordinary Shares held by Independent B Shareholders of the Company on 25 October 2019, being the date on which the Offeror's firm intention to make the B Share Offer was announced
DIs	a dematerialised depositary interest which represents an entitlement to a B Ordinary Share that can be settled electronically through and held in CREST, as issued by the DI Depositary which holds the underlying securities on trust, further details to be set out in the Offer Document
DI Depositary	in the period prior to 4 November 2019, Link Market

	November 2019, Equiniti Financial Services Limited in its role as depositary in respect of the DIs
Facility	the 24 months term facility entered into between VTB Bank and the Offeror
FCA	the UK Financial Conduct Authority or its successor from time to time
First Closing Date	will have the meaning given to that term in the Offer Document
Form(s) of Acceptance	the forms of acceptance and authority relating to the Offers which, where appropriate, will accompany the Offer Document
GDRs	global depositary receipts representing the A Ordinary Shares
GDR Depositary	The Bank of New York Mellon in its role as depositary in respect of the GDRs
GDR Holders	holders of the GDRs
Group	in relation to a company, that company, any subsidiary or any holding company from time to time of that company, and any subsidiary from time to time of a holding company of that company.
Independent A Security Holders	holders of A Securities other than Flotonic
Independent B Shareholders	holders of B Ordinary Shares other than Flotonic
Joint Offer Condition	the Condition set out in section 2(6) of Appendix 1
London Stock Exchange	London Stock Exchange plc
MTF	multilateral trading facility
Offers	the A Share Offer and the B Share Offer
Offer Document	the formal document setting out the full terms and conditions of the Offers, to be posted to the Security Holders (other than Security Holders in a Restricted Jurisdiction)
Offer Price	A Share Offer Price and the B Share Offer Price
Offeror	Flotonic Limited
Official List	the Official List of the FCA
Overseas Security Holders	Security Holders whose registered address is outside the UK or the Republic of Cyprus or who are citizens, residents or nationals of countries other than the UK or the Republic of Cyprus
Panel	the Panel on Takeovers and Mergers
Regulation S	Regulation S under the Securities Act
Restricted Jurisdiction	Australia, Japan, Canada, or any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offers is sent or made available to Security Holders in that jurisdiction
Rule 144A	Rule 144A under the Securities Act
SEC	the US Securities and Exchange Commission
Security Holders	holders of the B Ordinary Shares and the A Ordinary Shares (which, for the avoidance of doubt and in respect of the A Ordinary Shares, includes the GDRs)
Securities	the B Ordinary Shares and the A Securities
Securities Act	the United States Securities Act of 1973, as amended
Shares	the B Ordinary Shares and the A Ordinary Shares
VTB Bank	VTB Bank (PJSC)
VTBC	VTB Capital plc
UK	United Kingdom of Great Britain and Northern Ireland

United States

United States of America, its possessions and territories, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction

Wider AFI Development Plc Group

AFI Development Plc and associated undertakings and any other body corporate, partnership, joint venture or person in which AFI Development Plc and such undertakings (aggregating their interests) have an interest of more than 20 per cent of the voting equity capital or the equivalent

Wider Flotonic Group

Flotonic and associated undertakings and any other body corporate, partnership, joint venture or person in which AFI Development Plc and such undertakings (aggregating their interests) have an interest of more than 20 per cent of the voting equity capital or the equivalent

In this Announcement, unless the context requires otherwise, references to the singular include the plural and vice versa and words importing the masculine gender include the feminine or neutral.

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